

Accountable Grant Agreement (the Agreement)

Investment Reference Number: -----

Project Name.....

This Agreement dated..... is between:

Adam Smith International Limited of 240 Blackfriars Road, London, SE1 8NW, United Kingdom (**the Fund Manager**)

acting on behalf of the **Somalia Stability Fund (SSF)**

AND

.....

(the Grantee)

WHEREAS:

- A. The Fund Manager is prepared to make a grant (the Grant) not exceeding **US\$** (the Maximum Financial Commitment) to the Grantee to implement the project (the Project) detailed in the Technical Proposal (**Annex**) and Project Budget (**Annex**).
- B. The Grant along with any matching or other funding specified in Annexes 1, 2 or 3 is to be used only in respect of the implementation by the Grantee of the Project during the period from *(insert start and end dates)* (the Project implementation Term) for the benefit of *(insert name of community)*

There shall be an additional 3 months after the end of the project implementation term that will solely cater for formal close out procedures and preparation of final reports.

- C. SSF is a multilateral fund contributed to by a range of international donors (the Donors). The Fund Manager is responsible for the management of SSF under its Technical Assistance agreement with the UK Department for International Development (DFID) and all rights and obligations of SSF shall ultimately be the rights and obligations of the Fund Manager.
- D. The Grantee is fully conversant with and undertakes to implement the Project in a manner which is consistent with SSF's Goal, Outcomes and Principles.

- E. The Grantee is fully conversant with and undertakes to comply with SSF's Accountability Instructions (**Annex**) and any subsequent versions thereof that may be issued from time to time to which the Grantee will be notified in advance.

IT IS HEREBY AGREED THAT:

- I. This Agreement is specific to the Grantee and the Grantee's rights and obligations under this agreement shall not be transferred by the Grantee to a third party without the prior written consent of SSF. Any sub-Grantee or other third party not yet contracted will be contracted in accordance with **clause 3** of the Special Provisions of this agreement.
- II. The Grantee is solely responsible for ensuring implementation of the Project and compliance with the Agreement irrespective of whether performance of activities has been delegated to consortium members, sub-Grantees or other third parties.
- III. The Grantee is solely responsible for ensuring that all the accounting, procurement, payment, reporting and other requirements set forth in SSF's Accountability Instructions are complied with in relation to the Project irrespective of whether performance of activities has been delegated to consortium members, sub-Grantees or other third parties
- IV. The Grantee commits to make good any shortfalls in matching funds, contributions in kind or any other donations or contributions committed to fund the Project Budget (**Annex**).
- V. The Fund Manager is responsible for ensuring that, at the date of this Agreement, there are sufficient financial resources committed to SSF by the Donors to meet the Maximum Financial Commitment specified in Clause A. The Fund Manager shall not disburse any funds to Grantee without first ensuring receipt of the funds from Donors into the SSF nominated bank account. However, in the event that the Donors fail to disburse funds in line with their commitments to SSF, the Fund Manager will be under no obligation to disburse funds to Grantee unless this is on an exceptional basis that has prior written approval of Fund Manager.
- VI. Neither party is liable for failure to perform its obligations if such failure is as a result of Force Majeure (including fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalisation, government sanction, blockage, embargo, labour dispute, strike, lockout or interruption or failure of electricity or telephone service. If either party considers that Force Majeure has occurred or is likely to occur, it shall timeously notify the other party, giving full particulars of such event in writing, including its probable duration and its effect on the notifying party's ability to perform its obligations under the Agreement.

The party citing Force Majeure as an excuse for failure to perform its obligations must prove that it took reasonable steps to minimize delay or damages caused by foreseeable events, and to the extent reasonably practicable, that it fulfilled all its obligations.
- VII. The failure of either party to this Agreement at any time to require performance of any provision or to resort to any remedy provided under this Agreement shall

in no way affect the right of that party to require performance or to resort to a remedy at any time thereafter, nor shall the waiver by any party of a breach be deemed to be a waiver of any subsequent breach. A waiver shall not be effective unless it is in writing and signed by the party against whom the waiver is being enforced.

- VIII. The parties to this Agreement agree to use their best efforts to settle amicably all disputes arising out of or in connection with the Agreement and the interpretation thereof. In the event that a dispute arises between the parties that cannot be settled amicably and by agreement between the parties, the dispute shall be referred to arbitration by a single arbitrator to be appointed by the parties. In the absence of agreement on the appointment, the arbitrator shall be nominated by the UK Department for International Development.
- IX. The parties hereby acknowledge and represent that they have not relied on any representation, assertion, guarantee, warranty, collateral contract or other assurance, except those set out in this Agreement, made by or on behalf of any other party or any other person or entity whatsoever, prior to the execution of this Agreement. The parties hereby waive all rights and remedies, at law or in equity, arising or which may arise as the result of a party's reliance on such representation, assertion, guarantee, warranty, collateral contract or other assurance, provided that nothing herein contained shall be construed as a restriction or limitation of said party's right to remedies associated with the gross negligence, wilful misconduct or fraud of any person or party taking place prior to, or contemporaneously with, the execution of this Agreement.
- X. This Agreement including the Special Provisions and General Provisions and any annexes, addendums, schedules, exhibits and amendments hereto, encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, whether oral or written. In the event of any inconsistencies, this Agreement including the Special Provisions and General Provisions shall prevail over the SSF Accountability Instructions, application documents (including concept notes and proposal documents) and any other documents referred to in this Agreement or any prior communication or agreements between the parties.
- XI. This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of Kenya.

Signed on behalf of the Grantee:

Name: _____ Position: _____

Signature: _____ Date: _____

Signed on behalf of the Fund Manager:

Name: _____ Position: _____

Signature: _____ Date: _____

SPECIAL PROVISIONS

Provision of the Grant is subject to the following conditions:

1. That the Grantee is registered as a Non-Governmental Organisation and has the capacity to comply with the requirements set out in this Agreement. If not previously provided the organisation must provide evidence of their legal status and other statutory documents and reports necessary for pre-disbursement fiduciary risk and capacity assessment.
2. That the structure and objectives of the project design set out clear stability outputs and outcomes in the theory of change summarised in the Project Logical Framework (**Annex**). The project location and target beneficiaries, structure, objectives, developmental outputs and outcomes will not be changed or altered in any way without the prior written approval of SSF.
3. That, the Grantee will notify SSF of any intention to subcontract part or whole of the works under this project, upon which SSF Fund Manager may commission a fiduciary risk assessment and capacity assessment in relation to the sub-Grantees or sub-Contractors in accordance with SSF's assessment frameworks. SSF may, at its discretion, delegate to the Grantee the fiduciary risk assessment and capacity assessment in relation to the sub-Grantees or sub-Contractors. The Grantee will need to undertake these assessments in accordance with the SSF framework.
4. That the Grantee will submit to SSF, in the form specified in SSF's Accountability Instructions, quarterly narrative progress reports and detailed financial reports as per the schedule below:

Reporting Quarters	Due date for Technical Reports	Due date for financial Reports
Mar-May	By 17th of May	By 14th of June
June-August	By 17th of August	By 14th of September
Sept-November	By 17th of November	By 14th of December
Dec-Feb	By 17th of February	By 14th of March

Given that technical reports will cover part of the last month of the reporting quarter, the subsequent technical report shall cover the remaining part of the of the last month of the preceding quarter. Reporting quarters will be in accordance to the quarters shown above with the first 'quarter' of the Project to be shortened or lengthened to align to the required quarter reporting. For avoidance of doubt, the first 'quarter' for which quarterly reporting is required under this Agreement is the period from (**insert dates**) and the due date for submission of the first Quarterly Technical report is (**insert date**) while the due date for the first Quarterly Financial Report is (**Insert Date**). For quarterly reporting purposes, the 'Refine the Design Phase of the project' that is shown in the project budget shall be included in the initial quarter's Technical and Financial reports. In addition, the Grantee will also submit to SSF, in the form specified in SSF's Accountability Instructions, monthly

narrative reports within 10 days of the end of each month together with a monthly financial report extracted into the Grant Management Module (GMM). The GMM monthly financial report shall only show the aggregated cumulative expenditures of the 5 main expenditure categories of the project budget.

5. The Grantee should delink the submission of quarterly and monthly narrative progress reports together with the detailed financial reports from the closeout report (see clause 20 of the General Provisions). As such, the Grantee will submit the narrative progress reports and financial reports outlined for the final quarter and last month of project implementation as stipulated in Clause 4 of the Special Conditions of this agreement.
6. That if any changes occur which, in SSF's opinion, impair significantly the Project's ability to deliver planned outputs and outcomes specified in the Project design and, in line with SSF's Goal, Outcomes and Principles, SSF will call a meeting with the Grantee within 7 calendar days to discuss and diagnose the root causes and agree on immediate measures to resolve the problem.
7. That SSF disbursements to the Grantee will be made into a dedicated bank account exclusively used for SSF funds (the Project Bank Account) as follows:

Bank Name:	XXXXXX
Branch:	XXXXXX
Name of Account:	XXXXXX
Customer ID	XXXXXX
Bank Account Number:	XXXXXX
Currency of Bank Account:	XXXXXX
IBAN number: [for bank accounts within Europe]	XXXXXX
Beneficiary Bank /Intermediary bank details	
Account Name:	XXXXXX
SWIFT number:	XXXXXX
Intermediary Institution	XXXXXX

8. That in the event of any changes in the Project Bank Account details, the Grantee must notify SSF immediately on the official letter heading, signed by the **Authorised Representative (Signatory)**. This notification must be in the form of an original document.
9. That SSF will disburse funds to the Grantee at quarterly intervals in advance only upon receipt of a Certified Request for Funds in the form stipulated in SSF's Accountability Instructions printed on the organisation's official letter headed paper, accompanied by a detailed statement of expenditure and a detailed forecast of funds being requested. These must be original documents and, if properly certified, will be accepted as a proper discharge of Grant funds. The Fund Manager reserves the right to call for and examine evidence of payments prior to making disbursements under this Agreement.

10. A sum representing 5% of the total funds disbursed to grantee/ investee shall be withheld as retention monies. On satisfactory completion of the implementation phase and upon joint signature of closeout reports as noted in clause 5.4 of the accountability instructions, the whole of retention money will be released to the grantee/investee.
11. All funds must be accounted for in **US dollars**.

GENERAL PROVISIONS

Provision and ongoing disbursement of the Grant is subject to the following conditions:

Access to records, accountability and audit

1. That the Grantee allows and facilitates access by SSF or its appointed representatives to Project sites and to relevant records for the purposes of monitoring, evaluation and audit of the Project.
2. Internal or external auditors or both, as appointed and instructed by the Fund Manager, may carry out examinations into the economy, efficiency and effectiveness with which the Grantee has deployed Grant funds.
3. The Grantee is required to submit, within 6 months of the relevant financial year end, a copy of the signed version of its annual audited accounts for each of the financial years ended during the Project implementation Term as well as for the first financial year ending after the end of the Project implementation Term. Annual audited accounts must be signed by the Grantee's Chief Financial Officer and be certified by a member of a local professional institute of accountants and licensed by that institute to perform independent statutory audits as being a true and fair reflection of the Grantee's finances.
4. In the event that the annual audited accounts for the Grantee do not show the Grant as a separate item of income, the Grantee will also supply a separate independent auditors' certificate confirming the total income and expenditure in respect of the Grant.
5. In the event of a change of the Grantee's external auditors during the Project implementation Term the Grantee shall inform the Fund Manager within 14 calendar days of the effective date of such change.
6. That the Grantee will establish and maintain an Asset Inventory of all items of capital equipment purchased under the Grant, in the form specified in the SSF Accountability Instructions. The Grantee will advise the Fund Manager when the first of any such purchases occurs. An up to date version of the Asset Inventory must be supplied to the Fund Manager along with each quarterly report.
7. That all equipment acquired with Grant funds shall remain the unencumbered property of SSF at all times unless prior written permission is provided to the

Grantee by the Fund Manager to retain, transfer or dispose of such equipment. SSF retains the right to request for refund at replacement cost any equipment lost during the Project implementation Term.

8. At the end of the Project implementation Term, items shown on the Asset Inventory will be disposed or transferred in accordance with the written instructions of the Fund Manager.
9. For the avoidance of doubt, it is agreed that SSF shall not be responsible for making payments to or reporting to the relevant authorities for the Grantee and the Grantee's personnel's corporate and income tax, Value Added Tax and any other taxes and statutory requirements. The Grantee hereby indemnifies SSF against payments of any taxes or social security contributions relating to the remuneration of its personnel including any health or disability insurance, retirement benefits or any other welfare and pension benefits.

Anti-corruption and proper use of funds

10. The Grantee shall:
 - a. Comply with all applicable laws, regulations, codes and sanctions relating to anti-bribery and anti-corruption including but not limited to the UK Bribery Act 2010 ("Relevant Requirements");
 - b. Comply with the Fund Manager's own Bribery and Corruption Policy, available at <http://www.adamsmithinternational.com/about-us/policies> and shall sign a declaration to this effect upon signature of this Agreement;
 - c. Have and shall maintain in place throughout the term of this Agreement its own policies and procedures, including but not limited to adequate procedures under the UK Bribery Act 2010 (in as far as the act is not in breach of the laws of Kenya) or equivalent Kenyan legislation, to ensure compliance with the Relevant Requirements and the Relevant Policies, and will enforce them where appropriate;
 - d. Immediately notify the Fund Manager if a public official becomes an officer or employee of the Grantee or acquires a direct or indirect interest in the Grantee (and the Grantee warrants that it has no public officials as officers, employees or direct or indirect owners at the date of this Agreement);
 - e. As soon as reasonably practicable after the date of this Agreement, and annually thereafter, if required, certify to the Fund Manager in writing, signed by an officer of the Grantee, compliance with the requirements of this clause by the Grantee and all persons associated with it, including but not limited to the key personnel of the Grantee and any sub-grantees, and all other persons for whom the Grantee is responsible. The Grantee shall provide such supporting evidence of compliance as the Fund Manager may reasonably request.
11. If at any stage the Grantee should become aware of or suspect any misappropriation or diversion of funds or possible fraud or corruption relating to the Project, the Grantee must report the matter immediately to the Fund Manager.
12. The Grantee must ensure that any procurement using the Grant funds meets international good practice, untied and free of narrow self-interest, using

transparent processes, transparently fair and open competition, and good contract management including prevention of malpractice.

13. That the Grantee should source goods and services from suppliers that clearly offer value for money, and whose work place practices meet corporate social responsibility standards. All procurement of assets or consultancies or research commissioned above US\$ 20,000 should have a procurement plan pre-approved by Fund Manager. The Grantee is required to adopt SSF's Standard Bidding Document for works. The Grantee is required to coordinate closely with SSF to determine the terms of reference, minimum qualifications and all other requirements stipulated in the Standard Bidding Document. The Grantee must seek approval from SSF prior to the release of the final bidding document. The evaluation report recommending the selection of the proposed contractor/s for the works will require SSF's approval prior to contracting. SSF also reserves the right to independently supervise works during implementation to ensure compliance with the Work Requirements stipulated in the contract between the Grantee and the contractor.
14. That funds provided by SSF will not be used to meet the cost of import or customs duties or any similar fees imposed by the Federal Government of Somalia and Federal member states on goods and services provided, except where specifically agreed with and allowed for by SSF.
15. All costs classified by the Fund Manager as Disallowed Costs or Questioned Costs, as defined in SSF's Accountability Instructions, pursuant to a review of expenditure or on the advice of internal or external auditors, as appointed and instructed by the Fund Manager, must be returned within 14 calendar days of receipt of a request for repayment in the form stipulated in SSF's Accountability Instructions.
16. Any interest accrued to the Grantee from the investment of Grant funds may, with SSF's prior written consent, be used to fund additional project activities.

Project Budget adjustments

17. The reallocation of expenditure between quarters in the Project Budget (**Annex 2**) must be approved by the Fund Manager before such reallocation to the extent that such changes may materially impact on the project outputs and/or outcomes.
18. The reallocation of expenditure between expenditure categories in the Project Budget (**Annex 2**) that are below 10% of the affected budget lines are permitted without any requirement for pre-approval by SSF. Such reallocations affecting any budget line by 10% or more must be explicitly approved in advance in writing by the Fund Manager. For financial reallocation threshold purposes, a budget line is defined as the summary budget lines **Staff Costs, Travel Transport & Accommodation, Admin & Other Project Overheads, Capital** and any **Activity** line listed under the **Direct Project Activity Cost** category.
19. Any extension requests must be made at least three months before the end of the Project implementation Term.

Project close-out

20. A final statement of all income and expenditure related to the Grant must be delivered to the Fund Manager within 3 months of the end of the Project implementation Term in the form stipulated in the SSF Accountability Instructions. Any unspent Grant Funds, including interest accrued thereon, must be returned within 14 calendar days of receipt of a request for repayment from SSF.

Duty of care and indemnity

21. The Grantee will be responsible for all security arrangements for all staff and advisers engaged in implementation of the Project. Neither SSF nor the Fund Manager accepts any responsibility for the health, safety and security of any such individuals or organisations.
22. Neither SSF nor the Fund Manager will be responsible in respect of any loss incurred by the Grantee or any third party as a result of the Grantee undertaking the Project or as a result of any activity undertaken as part of the Project. SSF shall not be responsible for the employment of any person engaged by the Grantee whether as an employee or a consultant in connection with the Project including any costs incurred by the Grantee in terminating the employment or engagement of such person nor shall SSF be responsible for the activities of any such person.
23. The Grantee shall indemnify SSF in respect of any claims (including legal costs incurred in defending such a claim) made by any third party against SSF or the Fund Manager, including but not limited to any claim made by an employee of the Grantee whether relating to redundancy, unfair dismissal or otherwise, arising in connection with the Project.
24. The Grantee will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified SSF in respect of:
- a. any loss, damage or claim, howsoever arising out of, or relating to negligence by the Grantee, or by any person employed or otherwise engaged by the Grantee, in connection with the performance of the project;
 - b. any claim, howsoever arising, by any person employed or otherwise engaged by the Grantee.
25. The Grantee will ensure that any insurance arrangements pursuant to **clause 24** of these General Provisions made in respect of any person employed or otherwise engaged by the Grantee are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.
26. The costs of any insurance specifically taken out by the Grantee to support the performance of this project may be included as part of the management costs of the project, and must be separately identified in all financial reporting relating to the project.

Intellectual property, communications, confidentiality & conflict of interest

27. All intellectual property rights in all material (including, but not limited to, reports, data and designs, whether or not electronically stored) produced by the Grantee or its personnel, members or representatives in the course of undertaking this project (the Material) will be the property of the Grantee.
28. The Grantee hereby grants to SSF a worldwide, non-exclusive, irrevocable and royalty-free licence to use all the Material, where the term “use” shall mean, without limitation, the reproduction, publication and sub-licence of all the Material and the intellectual property rights therein, including the reproduction of the Material and products incorporating the same for use by any person or other dealing anywhere in the world.
29. The Grantee will only acknowledge SSF's support through use of SSF's logo in external communications with the public or third parties in relation to the Project, unless otherwise agreed with the Fund Manager in writing and in advance of publication. The Grantee will not use the SSF logo or brand in Somalia. The Grantee will also refrain from self-promotion and instead promote local Somali Ownership. The Grantee also commits to collaborate with SSF on other awareness raising activities where feasible and appropriate, in Somalia and overseas, to profile the Project and the results it is delivering.
30. The Grantee shall not, except with the consent of SSF or as required by law, disclose to any third party the terms of this Agreement.
31. The Grantee will keep SSF informed about any activity which may involve the public disclosure of information about the implementation by the Grantee of the Project such as, by way of example only, in publication of books or articles, the making of contacts with the press, the giving of broadcasts speeches or lectures, appearing on television programmes.
32. The Grantee will inform the Fund Manager of any assignment or potential assignment that may create conflict of interest in relation to the implementation of the Project during the Project Term.

Suspension and early termination

33. SSF reserves the right to withhold funding if the Grantee fails to comply with the conditions and requirements set out in this Agreement including the Special Provisions and General Provisions and any annexes, addendums, schedules, exhibits and amendments thereto pending a review by SSF or its advisers.
34. Where the performance by the Grantee of its obligations under this agreement is delayed, hindered or prevented by an event or events beyond the reasonable control of the Grantee or the Grantee could not reasonably expect and/or exercise caution the Grantee shall promptly notify in writing the Fund Manager the nature of the force majeure event or events and the estimate impact on the project. SSF in consultation with the Grantee may either suspend implementation of the Project for a definite period or terminate this Agreement forthwith.
35. The Fund Manager can at his sole discretion modify or terminate the Grant in any circumstances by giving 1 months' notice in writing. All funds disbursed by SSF to the Grantee, other than those irrevocably committed by the Grantee in good faith before the date of termination will be returned to the Fund manager within 14

calendar days of receipt of a request for repayment from the Fund Manager. In such an event, the Grantee will only be entitled to claim costs properly and necessarily incurred and paid in connection with the Project prior to the date of termination, together with all costs properly and necessarily committed and paid beyond the date of termination, provided that such commitments are made prior to receipt of the notice of termination.

36. SSF may immediately terminate this Agreement and shall be under no obligation to *pay all or any part of the Grant and may, at its discretion, require all or any part of the Grant to be repaid if:*

- a) Without the prior written consent of SSF a change is made in the Project which SSF considers substantial to impact adversely on the project agreed outputs and/or outcomes; or
- b) Any request for disbursement of Grant funds is based on misleading information or falsified documentation or is made in respect of costs which have not actually been incurred after the date on which this Agreement was made, and discharged by payment by the Grantee on or before the date of claim; or
- c) the Grantee ceases implementation of the project for an unreasonable period without a justifiable cause before the project is satisfactorily completed; or
- d) the Grantee either directly or through its staff, agents or sub-partners commits any material breach of its obligations under this Agreement or the Grantee fails to comply with any terms of this Agreement; or
- e) The Grantee uses the funding for any purpose other than the purposes set down in this Agreement; or
- f) The Grantee directly or indirectly knowingly supports activities considered to be conflicting or counterproductive to SSF's Goal, Outcomes and Principles. This may include but is not limited to direct or indirect support for illegal militia groups or activities.
- g) Any form of influence peddling in form of bribes, favors or tips are proposed, made or otherwise directed towards any individual or organization connected with SSF who might reasonably be expected to have material influence in SSF decision-making; or
- h) The Grantee has been found to have engaged in price/cost inflation or kickbacks to sub-contractors or fictitious procurements

Counter Terrorism Policy

37. SSF has zero tolerance to terrorism involvement or funding. Funds provided by SSF must thus not be used to support organisations with criminal purposes, including terrorism. SSF may immediately terminate this Agreement and shall be under no obligation to pay all or any part of the Grant and may, at its discretion, require all or any part of the Grant to be repaid if the Grantee is found to be involved in terrorist activities



Annex 6: SSF's Accountability Instructions

Somalia Stability Fund

Financial Management

and

Expenditure Procedures

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A. Applicability of Manual

This Financial Management Procedures Manual is applicable to ALL Grantees whether they use their own financial management system or the SSF-supplied Grant Management Module (GMM). The following table provides a summary of the applicable Sections, Appendices and Exhibits of this manual for all grantees or only those grantees utilizing GMM.

	Applicable to All Grantees	Applicable to Grantees Using GMM
Sections	1, 2, 3, 5	4
Appendices	C, E & F	A, B & D
Exhibits	All	

1. Financial Management and Expenditure Procedures

1.1 Overview of GMM in Financial Management Process

The following detailed procedures in this document represents SSF required financial procedures for managing their grant resources by the investee (grantee). Although the general principles outlined in these procedures are applicable to other grantees of SSF funds that use their own financial system, these procedures have been developed specifically to accompany the use of the SSF-supplied Financial Management Information System (FMIS) called the **Grant Management Module (GMM)**. The GMM has been developed and configured to be the financial management system for the grant recipient of SSF funds who does not already possess an acceptable FMIS and are usually reliant on a manual method for creating financial accounts. The GMM is a much-simplified version of a powerful commercial off the shelf (COTS) FMIS configured specifically to meet the financial control and reporting requirements of SSF. The GMM is cloud-based software, administered by SSF however utilized by the grantees in their office to make all payments and report to SSF on a quarterly basis. The only hardware requirement of the grantee is a computer with an internet connection, a browser, Java installed and a printer to create payments.

There are three distinct phases in the control of expenditure of SSF grant funds as follows:

- ◆ Before a commitment to purchase is made (*Financial Control*), specifically the authorization and expenditure approval stages of proposals to spend grant funds;
- ◆ Before payment is made (*Accounting Control*), including the certification of claims for payment; and
- ◆ After payment is made (*Audit*).

In applying this framework, it is necessary to introduce limits to the total amount that can be spent at any one time, usually for reasons related to cash management, but

in all circumstances within the approved budget for the Grantee at Account and Activity Classification level set within the budget (see Appendix D for review of classification system and the level of control configured in the GMM).

These following procedures provide reporting, payment, accounting and procurement guidelines to Somalia Stability Fund (SSF) Grantees or Investees. They also contain key SSF financial management principles and policies. The reporting and accounting currency for all SSF Accountable Agreements is US dollars (US\$) unless otherwise stated in the Accountable Agreement. The accounting and reporting quarters for all SSF projects are calendar quarters unless otherwise stated in the Accountable Agreement.

1.2 Overarching Financial Management Principles

All SSF Accountable Agreements, are designed, implemented and managed to operationalize to the extent practical the letter and spirit of the following overarching fundamental financial management policies and principles.

- 1. Transparency** – Reflecting general accountability for operations and activities to SSF and indeed to all stakeholders (including but not limited to other donors, sponsors, programme beneficiaries, staff, state and general public).
- 2. Accountability** – Based on sound organizational policies, procedures, principles and guidelines that are comprehensively and consistently applied.
- 3. Integrity** – Reflecting the need for all operations and activities to be beyond reproach. Specifically, SSF requires complete honesty in project reports, disclosures, commitments and all other project-related documentation and communications.
- 4. Conflict of interest** – Always guarding against the presence of multiple interests (primary or secondary) that could possibly corrupt the motivation for action or lack of action.
- 5. Anti-bribery/influence peddling** – At all times guarding against the illegal practice of using, or permitting to be used, one's influence, internally or externally, to or from persons in authority to obtain favours or preferential treatment for oneself or for another in return for either direct or indirect gains for oneself or another.
- 6. Fiduciary risk management** – (a) Putting in place mitigating action plans against all known fiduciary risks in relation to the Accountable Agreement and regularly updating the Fund Manager on the status of such risks. (b) Ensuring that financial and program management and operating environments incorporate checks and balances capable of preventing and detecting fraud and other financial irregularities.
- 7. Value for Money** – Being at all times be conscious of the utility derived from every sum of money spent and specifically observing the following value for money considerations:
 - i. DFID's approach to ensuring value for money
 - ii. Transparency of and accountability for overhead recovery and/or allocation thereof between projects and donors and in compliance to industry best practices and international accounting standards

Maintaining an efficient and effective ratio between project direct and indirect costs as agreed and reflected in the Accountable Agreement.

1.3 Procedure Application

The expenditure process established in this procedures document is part of a strong financial management control policy developed by the SSF. The policy provides a rigorous control structure over the grantee's budget execution.

Unless explicitly excluded, this policy applies to all grantees that manage SSF funds. It is realized that some grantees, due to size, geographic separation or other logistical impediments may not have the number of personnel to effect the desired segregation of duties mentioned in this policy, however SSF has tried to keep the burden as small as possible. Such situations should be referred to SSF for the Finance Director's written approval of the Grantee's plan to mitigate the internal control concerns due to lack of segregation of duties.

1.4 Compliance Exceptions

All exceptions to compliance with these policies must have written approval of the SSF Finance Director.

2. Budgeting & Accounting Policies

2.1 Budgeting

As part of the contracting stage, the grantee/investee must submit a project budget as per **Exhibit 2** and in line with the technical narrative of the proposal. Each budget will be evaluated within the following broad principles:

- Value for money;
- Reasonableness/competitiveness of unit costs;
- Alignment with project activities, and,
- Consistency with SSF Goals, Outcomes and Principles.

The project budget is the primary instrument against which all expenditure incurred is measured. Any expenditure incurred which does not fall within the project budget (or any amendment thereof approved in writing by the Fund Manager) will automatically be classified as Disallowed Costs.

2.2 Budget revisions

Budget revisions that could directly or indirectly impact on the project objectives, outputs and outcomes and/or which result in a reallocation between budget lines exceeding 10% of a budget line must be explicitly approved in writing by the Fund Manager. For financial reallocation threshold purposes, a budget line is defined as the summary budget lines **Staff Costs, Travel Transport & Accommodation, Admin & Other Project Overheads, Capital** and any **Activity** line listed under the **Direct Project Activity Cost** category. In such circumstances where the 10% threshold will be breached, the grantee/investee must supply the following in support of the revision request and receive approval before proceeding:

- A budget revision analysis [see *Appendix F* for required **Form 5a** for GMM users and **Form 5b** for non-GMM users];
- Detailed justification for the revision(s) [see **Form 5a** for GMM users and **Form 5b** for non-GMM users];
- If applicable, a revised work plan aligned with the proposed budget;

NOTE: GMM is configured so that you cannot willingly or mistakenly exceed the above summary budget lines for any value and if the grantee attempts, the GMM will NOT allow a cheque to be printed. Therefore, when you want to exceed the original value of a summary budget line, the grantee is required to provide to SSF the budget revision request *Form 5* in Appendix F. SSF will adjust your budget in the GMM once the appropriate authority is granted on *Form 5* and inform you, so you can proceed with the expenditure. Reallocation below 10% will be automatically adjusted without requiring Fund Manager approval. All reallocation above 10% will require Fund Manager approval.

2.4 Basis of Accounting

SSF requires the cash basis of accounting to be used for recording all transactions and reporting. This means that financial transactions will only be recorded at the time when cash has either been deposited into or withdrawn from the grantee bank account. For practical purposes, this means that whenever a cheque has been

issued, it is assumed the money has been effectively withdrawn from the bank account and the withdrawal entry is automatically recorded in the General

2.5 Bank and cash transactions

A separate cashbook should be maintained for the SSF grant/investment. The cashbook will record all receipts and payment transactions be processed through the dedicated project bank account. **This cashbook is automatically provided when the Grantee uses GMM and all the below principles are automatically included.** The following outlines the basic requirements which are an inherent part of GMM but must also be part of the Grantees own system if they do not use GMM.

The cashbook must include the following information:

- Transaction date
- Transaction reference/transaction number
- Budget line item description
- Expense description
- Payee name
- Payment amount/receipt amount
- Cumulative bank balance

The following shall be included in the procedures of maintaining the cashbook:

- All transactions will be recorded in the bankbook as and when they occur (Cash Basis).
- Entry of transactions to the cashbook will require appropriate coding to enable budget monitoring and periodic reporting. All coding should be accurate. The grantee shall at all times make reference to the budget (GMM automatically validate expenditures against grantee budget) to ensure that all expenditure is allocable and allowable.
- Authorised payment vouchers will form the basis for recording all payments (Forms 2A, 2B, 3, 4A and 4B are specifically designed for those grantees using GMM. It should be noted by the grantees who do not utilize GGM that these forms are examples of minimum requirements for the type of authorised vouchers SSF requires, however the BCS code segments are not applicable to these grantees. The grantees who do not utilize GMM are free to adapt these forms to be used in their own financial management system).
- There shall be a monthly reconciliation between the cashbook and bank account balances reviewed and approved by a senior finance officer.

2.6 Assets

An inventory of all equipment costing the equivalent of at least USD 1,000 and wholly or partly funded by SSF funds disbursed under the Accountable Agreements should be maintained in the prescribed form (**Exhibit 5**). An up-to-date version of the Asset Inventory must be supplied to the Fund Manager along with each quarterly report. This will be maintained outside of GMM on an Excel spreadsheet but is reconcilable to GMM.

All such equipment shall remain the unencumbered property of SSF and should not be changed, replaced or otherwise disposed of during the Project Term without the prior written agreement of the Fund Manager.

2.7 Records

All SSF fund project transactions must be supported by relevant transaction documents from initiation, authorisation, actualisation and recording of the transactions (See forms and Appendix E for detailed requirements). Third party documentations such as invoices and receipts must be attached and cross referenced with internal documents such as purchase orders and payment vouchers [see section 3].

3. Rules Governing Payments by SSF to Grantee

3.1 Request for Funds

Claims for disbursements should be sent to SSF in the standard format (**Exhibit 4**). This request for funds should show both funds carried forward, any advance paid for the last quarter and the last quarter actual total expenditure. Any shortfall or surplus from the last should be clearly identified and taken into account when calculating the advance disbursement requested.

3.2 Disbursement in Arrears

The request for disbursement must be accompanied by a statement of account for preceding quarter's actual payments (**Exhibit 3**). The statement must present a comprehensive and detailed account of actual payments incurred during the quarter.

3.3 Disbursement in Advance

The request for disbursement must be accompanied by a statement of forecasted project payments and a statement of account for preceding quarter's actual payments (**Exhibit 3**). For requests for disbursement in advance for the first quarter of the Project Term, there will be no requirement to submit a statement of account of actual payments.

3.4 Disbursement

Disbursement will be made direct to the project bank account via electronic transfer. Disbursements can only be made into a dedicated bank account bearing the grantee's/investee's name and which requires more than one signatory duly authorised for every withdrawal. The bank account details supplied in each request for funds (**Exhibit 4**) must be identical to those in the Accountable Agreement. If the grantee/investee wishes to change Bank account details it will be done through amendment to the Accountable Agreement.

3.5 Repayment of Funds

The grantee/investee must refund to SSF all unspent funds together with refundable disallowed and questioned costs disclosed in the project close-out report (**Exhibit 7**) within 30 days from the end of the Project Term and in any case before the completion and sign off of Project Close-out Report. No payments should be made from the project bank account or any unbanked project cash without the written approval of the Fund Manager during the period after the end of the Project Term.

The whole or part of any funds disbursed under the Accountable Agreement shall be repaid on the demand of the Fund Manager if such demand is consistent with the Accountable Grant Agreement.

4. Expenditure Process Details - GMM

The stages are outlined below.

4.1 Process Outline

The following is a brief outline of the expenditure and reporting process:

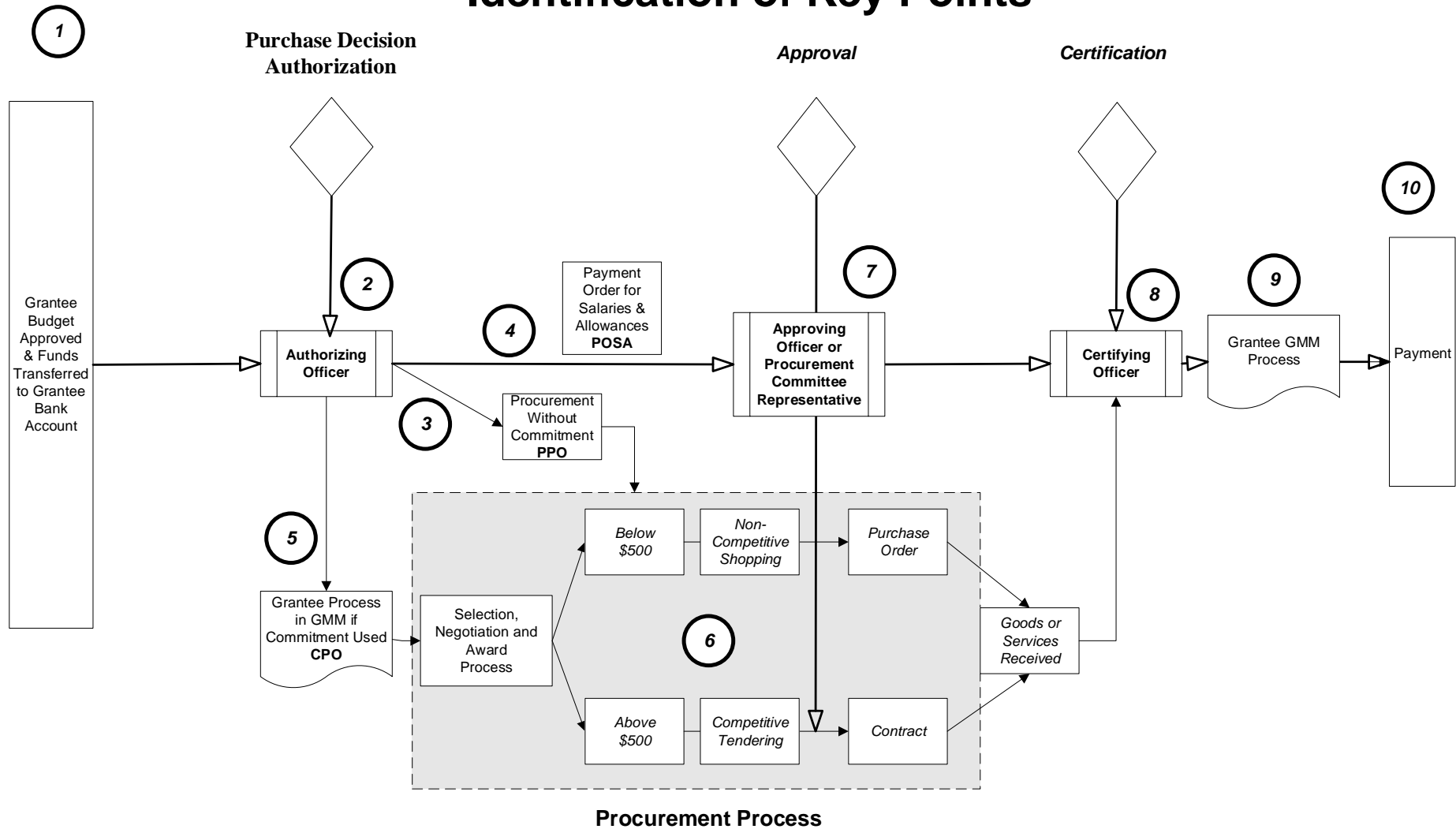
	Expenditure Step	Amplification
1	<ul style="list-style-type: none"> ◆ The SSF Fund Manager, in collaboration with relevant investment officer in charge of overseeing the Grantee, approves and signs Grant Agreement. Part of the agreement is the value of the first tranche of funds to be disbursed to Grantee. In accordance with agreement, funds are disbursed into the Grantees bank account. 	<p>The approved budget of the Grantee is entered into the Grant Management Module (GMM) by SSF, which sets overall budget controls value plus quarterly budgeted amounts through to end of grant.</p> <p>As this time, SSF will also record the deposit of cash into the Grantee's bank account along with the offsetting revenue entry. This will be performed directly in the GMM.</p> <p>The Grantee has been trained on the use of the GMM and now has access to start spending funds and implementing the grant agreement.</p>
2	<ul style="list-style-type: none"> ◆ Relevant staff within the Grantee, charged with implementing the grant, start all purchase of goods or services in order to execute the grant by completing a Commitment or Procurement Payment Order. The type of Order depends on whether Grantee is creating commitment in the GMM before procuring the goods or services. If salary is to be paid, a Payment Order for Salaries and Allowances is completed. ◆ The designated <i>Authorising Officer</i> within the Grantee receives the orders and authorises or rejects. Once authorised, the order moves either for procurement (steps 3 or 4) or directly to approving officer in case of Payment Order for Salaries and Allowances 	<p>See Expenditure Process Form Instruction Details and related description on how to complete. This process, completion of forms, will be undertaken outside the GMM system at this stage.</p> <p>When the officer is authorising the forms, they should review the GMM to determine if there are sufficient budget funds available.</p>

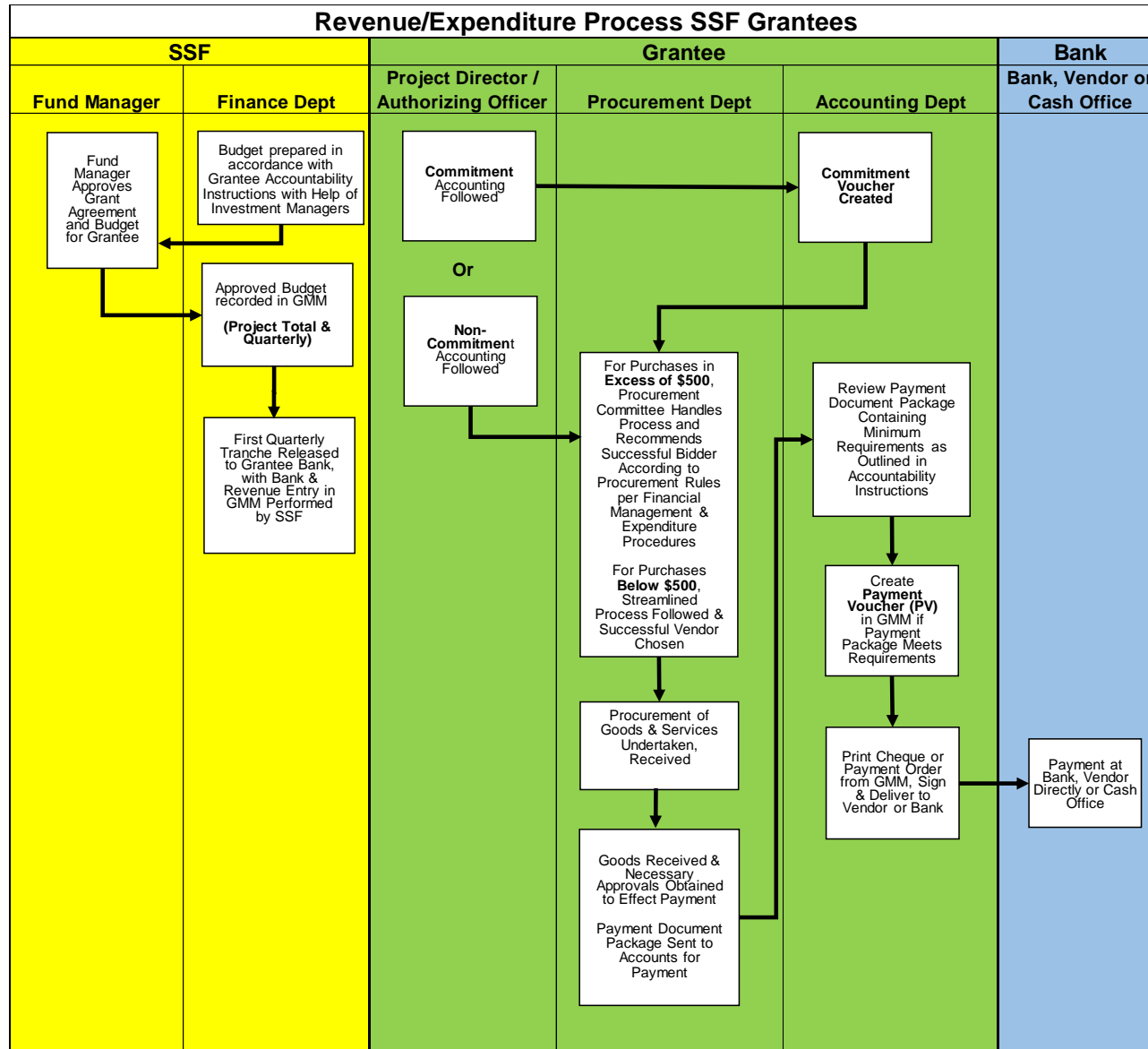
	Expenditure Step	Amplification
3	<ul style="list-style-type: none"> If it is a Procurement Payment Order for goods or services, the Grantee is not utilizing commitment accounting within GMM, therefore no interaction with GMM is required. The form is sent directly for to procurement. See step 6. 	
4	<ul style="list-style-type: none"> If it is a Payment Order for Salaries and Allowances, there is no procurement process and the form move immediately on to Step 7. 	See Expenditure Process Form Instruction Details and related description on how to complete.
5	<ul style="list-style-type: none"> If it is a Commitment Payment Order, the order is sent to the relevant person in accounts that has been given the authority to create a commitment (Budget Request Voucher) within GMM. The GMM-generated commitment number is placed on the Commitment Payment Order which is then forward to start the procurement process. 	See Expenditure Process Details Commitment Authorization and related description.
6	<ul style="list-style-type: none"> The Procurement process will be determined by the type of procurement, the value and the need to utilize a transparent and accountable approach. 	See Expenditure Process Details Procurement Cycle and related description. Procurement procedures established by the SSF must be followed.
7	<ul style="list-style-type: none"> Designated officers (<i>Approving Officers</i>) issue <i>Purchase Orders</i>, or contracts where appropriate, in accordance with the terms and conditions of the approved procurement decision. 	
8	<ul style="list-style-type: none"> The approved claims are provided to Accounting Department of the Grantee. The designated Grantee accounting officer certifies the Commitment or Procurement Payment Order and moves to final steps of entering into GMM and making payment. See Steps 9 and 10. 	.
9 10	<ul style="list-style-type: none"> Grantee processes payment in the GMM by creating a Payment Voucher (PV) [<i>if commitment accounting is followed, a Payment Request Voucher will need to be created first and then a PV</i>] and printing cheque or Payment Order. Payment is delivered to bank. 	This will be achieved using the FMIS. Please see Procedures Manual for GMM for detailed instructions on how to effect payment and complete the process in GMM.

The process is shown in the following Diagram identifying key points in the process noted directly above.

Immediately after this Diagram is another depiction of the revenue/expenditure process that shows how the different entities interact in the overall process. Following this is the SSF-recommended grantee signature matrix for all forms discussed in section 4.2

Expenditure Procedures and Procurement Process Identification of Key Points





SSF -- Expenditure Approval and Signature Matrix for Grantee

Document

Responsible Officer	Commitment/Procurement Payment Order (CPO)		Payment Order Salaries and Allowances (POSA)		Purchase Order		
	Commitment / Procurement Authorization	Payment Approval	Payment Approval	Payment	Preparer	Approval	Receiving
Requesting Officer, Admin Officer, Grantee Contact	Project Coordinator, Dept Head		Head of HR		Committee or Procurement Dept Head		
Authorizing Officer	Project Director						
Approving Officer			Project Director			Project Director	
Receiving Officer							Accounting Officer or Project Dir
Certifying Officer		Grantee Accounting Officer					
Paying Officer				TBD if Cash Paid			

Payment Order and Cheque	
Signature 1	Project Director
Signature 2	Head of Finance

4.2 Purchase Authorization [Commitment or Non-Commitment Accounting]

SSF's policy is to request that a grant recipient who utilises the SSF-provided Grant Management Module (GMM) undertakes simplified commitment accounting, or they may in some circumstances allow pure cash-based accounting to occur, without creating a commitment in the accounting system while goods and services are being procured.

All purchases begin with the completion of either a **Commitment/Procurement Payment Order (goods and services)** or **Payment Order for Salaries and Allowances**. Salaries and Allowances will never be subject to a commitment approach to accounting nor will it require following a procurement process when salary payments are made since procurement was undertaken at time of hiring, before any payments were made.

Non-Commitment Approach

The **Procurement Payment Order (PPO)** (see **Form 2A**, *Appendix B* for example of form) is completed (see *Appendix A* for detailed discussion on how to complete the form) by the requesting person and sent to the Authorizing Officer for processing. The *Authorizing Officer* of the grantee decides whether to spend grant funds on the execution of the grant based on the attached documentation to the Order. If the officer decides to move forward with the purchase, after considering the requirements to be observed by *Authorizing Officers* in **Appendix A**, they sign the Order and send to the relevant procurement section to begin procurement in accordance with the procurement rules as provided by SSF to the Grantee (see SSF guidelines on procurement process and step 6 in the above diagram). If rejects, officer returns to requesting person for amendment or cancellation.

The payment for salaries and allowances are considered of regular payments and will never be subject to a commitment, even if the commitment approach is followed as described below. These salary and allowances obligations must be considered as the Authorizing Officer is performing overall management of the budget. See the *Payment Order for Salaries and Allowances*, **Form 3**, and related payroll and allowance detail forms, **3A and 3B**, respectively at *Appendix B*.

Commitment Approach

The **Commitment Payment Order (CPO)** (see **Form 2B** *Appendix B* for example of form) is completed (see *Appendix A* for detailed discussion on how to complete the form) by the requesting person and sent to the *Authorizing Officer* for processing. As with the non-commitment approach, the *Authorizing Officer* makes the same decision to spend or not spend, but forwards CPO to accounts section to record commitment in GMM **before** the document package is sent to procurement to start procurement process. There are requirements to be observed by *Authorizing Officers* when entering into commitments on behalf of the Grantee as outlined in **Appendix A**

The accounts section would then enter the CPO into GMM and generate a commitment. Accounts department would record the GMM-produced commitment number on the face of the CPO. The CPO is then sent to procurement for action in accordance with the procurement rules.

4.3 Procurement Cycle

The second step in the expenditure process involves choosing the method of procurement, tendering, evaluating the responses, negotiating with a preferred supplier and finally entering into a contract or issuing a *Purchase Order* (PO). The procurement procedures to be adopted by the Grantee are designed to promote open, effective, and fair competition and to ensure that value for money is achieved from the process. The Procurement Rules and Procedures when carrying out SSF-funded grants are documented in *Appendix C*.

The final phase of the procurement process is that of entering into a formal commitment with a supplier. This involves signing a formal *Purchase Order* and/or a contract, where appropriate. The Grantee is required to identify which officers should have the power to enter into commitments that will require expenditure of SSF grant funds. These officers will be designated as *Approving Officers*. There are requirements to be observed by *Approving Officers* when entering into commitments on behalf of the Grantee as outlined in **Appendix A**.

At an appropriate point depending on the procurement method selected, a **Form 4 Purchase Order** will be prepared in order to procure the goods or services.

4.4 Certification for Payment

Certification for Payment occurs after receipt of goods or services. A competent person (this would usually be the person originally identifying the requirement for *Procurement* or *Commitment Authorization*) must first verify that the service has been performed or goods delivered in accordance with the *Purchase Order*. This person must complete the *Receiving Report* section of the *Purchase Order*.

Finally the *Certifying Officer* must be satisfied that the claimant has completed his part of the contract and that an invoice has been submitted which identifies the nature of the claim on the Grantee Budget in sufficient detail to avoid, for example, the possibility of a double payment or a later dispute on negotiated terms and conditions. The invoice must also clearly identify the name of the vendor and make reference to the *Purchase Order* number. The requirement is to ensure that payments are only made to the person or organization rendering the service. It is only after these checks have been made that an officer can certify that the claim is correct for payment.

Appendix A sets out the details of the checks. *Certifying Officers*, when signing the *Payment Approval* section of the *Procurement or Commitment and Payment Order*, are certifying that they have carried out those checks.

4.5 Payment

Payments will be executed by the Accounting Department based on the Payment approval set out on the *Procurement or Commitment and Payment Order*. This will be done using the GMM where the payment request can be matched with the previous *Procurement* or *Commitment Authorization*.

Payment for Goods and Services: Payment to suppliers for goods and services can be made by cheque or when it becomes feasible by funds transfer to the supplier's account.

Payment for Salaries and Allowances: Salary and Allowance payments will be affected by a nominated *Paying Officer* collecting the total payroll amount identified [from the Bank] and distributing it to the individual payees identified on the Payroll or Allowance List. Employees should be encouraged to establish accounts in the commercial banks in order that their pay is deposited directly to their own bank accounts. This change will reduce and eventually eliminate the need to handle cash for payroll purposes as is now required.

4.6 Expenditure Process details

The detailed instructions to carry out the procedures outlined above, and to complete the various forms, are in **Appendix B**. These instructions may change from time to time as SSF deems appropriate.

4.7 Budget Classification Structure

Each of the above referenced forms is used to document or to authorize a certain part of the control, recording and reporting requirements related to executing the Grantee budget. Certain information related to each of the transactions is recorded in the financial Grant Management Module (GMM) from data on the forms. Each form contains a series of appropriate budget classification codes, part of which is the SSF-supplied Chart of Accounts, the Account Segment in the Budget Classification Structure, used for financial reporting. This is the most important segment that is to be used by the Grantee when budgeting.

Over the course of executing the grant, the Grantee will eventually process substantial quantities of data that is derived from its activities through the GMM. The Grantee will be required to turn this data around in a timely and accurate manner into a number of pre-defined reports for quarterly reporting purposes to SSF. These reports are pre-defined in the SSF-provided GMM.

The Budget Classification Structure for the Grantee is fully documented in a separate document (see **Appendix D**). The codes for each of the Segments were developed by SSF bearing in mind the nature of the grants they are given and are common across all grantees. These account codes are used to develop the Grantee's budget and report against during grant execution. When Grantees identify the need for an additional account code line during the original budget preparation process, they should contact the accounts section of SSF to request an addition.

5. Project Reporting

There are three basic forms of reporting:

- Monthly progress reports
- Quarterly progress reports
- Annual audit reports
- Final project close-out reports

5.1 Monthly Progress reports

Monthly progress reports (technical and financial) should be submitted as stipulated in clause 4 of the special provisions. The monthly technical report should be in accordance with the standard reporting format (**Exhibit 1.1**), while the GMM monthly financial report will be in the same format as the financial quarterly report except that it shall **only show the aggregated cumulative expenditures of the 5 main expenditure categories of the project budget**.

5.2 Quarterly progress reports

Quarterly project progress (technical and financial) reports should be in accordance with the standard reporting formats (**Exhibits 1.2 and 3**) unless explicitly agreed otherwise, and in writing, by the Fund Manager.

Reports should be submitted to the Fund Manager quarterly as per the reporting cycle shown in clause 4 of the special provisions.

All financial reports must be prepared in accordance with these instructions and as per the format of **Exhibit 3** while maintaining the same expenditure classification, categories and budget lines and amounts as per the project final financial budget **Annex 2** of the Accountable Agreement. **Please note** that Exhibit 3 will be automatically produced by GMM. Please see GMM User Procedures Manual that describes how to create the report for remittance purposes to SSF.

Where the terms and conditions for the Project require achievement of specific milestones and other deliverables as a pre-condition for continued funding, the grantee/investee is obliged to ensure that the relevant data is submitted to SSF and that quarterly report documents demonstrate that the pre-condition(s) have been satisfied. Failure to do so shall lead to automatic suspension of funding until the milestone is achieved or the matter is otherwise resolved to the satisfaction of the Fund Manager.

For avoidance of doubt, a complete set of the quarterly progress report shall include:

- a) A technical narrative project progress report as per **Exhibit 1**
- b) Supporting electronic information or relevant web links relating to the technical report
- c) A detailed financial report as per **Exhibit 3 [Produced by GMM]**
- d) Copies of the project bank account reconciliations for the quarter
- e) Certified request for funds form as per **Exhibit 4 [Produced by GMM]**
- f) Asset Inventory listing as per **Exhibit 5**

- g) List of project unpaid liabilities and commitments as per **Exhibit 6**
- h) Any other information specifically requested by the Fund Manager

5.3 Annual audit reports

The grantee/investee must submit a copy of its annual audited accounts and management letters to SSF for each of the financial years covered by the Accountable Agreement within six (6) months of the end of the financial year of the grantee/investee. These accounts should show that SSF funds were expended in accordance with the terms of the Accountable Agreement and be shown as a separate item in the audited financial statements. If it is not possible to show the Project as a separate item in the accounts, a signed copy of the annual audited accounts with management letter, prepared as above, should be submitted along with an auditor's certificate confirming the total income and expenditure in respect of SSF funds.

The Fund Manager will send teams of internal and/or external auditors regularly to review project management risks and internal control environment and audit cumulative project expenditures. The grantee/investee must keep proper and accurate accounts of all expenditure incurred in connection with the Project and preserve such accounts for a period of six (6) years from the end of the Accountable Agreement.

Disallowable costs are project payments reported by the grantee/investee but assessed by the Fund Manager and/or auditors as being ineligible. This will include but not limited to using SSF funds to pay taxes, alcoholic drinks & entertainment costs, bad debts, contingencies and provisions, penalties, fines, fraud, bribery and corrupt payments, non-budgeted costs and costs relating to illegal activities or payments in support of illegal organisations or groups, and payments for non-project activities or costs.

Questioned costs are project expenditures reported by the grantee/investee but assessed by the fund manager and/or auditors as being eligible but failing to uphold one or more of SSF key financial management policies and principles above and general accounting and procurement guidelines. This may include but not limited to expenditures above approved budgets, costs not meeting value for money considerations, losses arising from grantee/investee negligence and/or misappropriation or mismanagement by grantee/investee personnel or third party sub-grantee.

5.4 Final project close out report

A project close-out report shall be prepared and signed jointly by the Fund Manager and grantee/investee within three months after the end of the project term (adjusted for any funded or no-cost extension) as per **Exhibit 7**. The project close out report formally discharges both parties from any contractual obligations and commitments as from the date of its signature.

Both parties must agree on the status of each of the following matters in relation to the project.

1. Final project delivery evaluation report.
2. Actual project grant/investment disbursed by the Fund Manager and accounted for by the grantee/investee.
3. Final project funds receivable from the Fund Manager and/or project funds refundable to the Fund Manager.
4. Details of any cash advances outstanding (i.e., unaccounted for) at the end of the project term.

5. List of project assets, location and working condition together with itemized disposal/ownership transfer agreement.
6. Any undischarged project financial liabilities.
7. Declaration of any residual, unfulfilled commitments to local communities and any residual, unresolved environment impacts of the project.

Appendix A - Conditions for Consideration by Signatories on Financial Documents

Conditions for authorizing commitments

An *Authorizing Officer*, before providing a *Procurement* or *Commitment Authorization* for a proposal to spend SSF-grant funds, must have satisfied himself that:

- (a) the proposal is in accordance with the policies of the Grantee for expending SSF grants; and
- (b) the proposed expenditure will make efficient and effective use of the grant funds for implementing those objectives of grant.

Conditions for entering into a commitment (Contract or Purchase Order)

An *Approving Officer*, before approving a contract or purchase order that commits the spending of SSF-grant funds, must have satisfied himself that:

- (a) the proposal was authorized by a properly appointed *Authorizing Officer*;
- (b) the commitment must be consistent with that approval;
- (c) the proposal must represent the best value for money; and
- (d) there is sufficient funds available in the correct budget category in the Grantee Budget to meet the proposed expenditure, after taking into account other expenditure to be met from the Account.

When these conditions have been satisfied, the *Approving Officer* may enter into a commitment (sign contract or purchase order) requiring expenditure from the SSF-grant funds.

Conditions for confirming a payment may be made

Before indicating that a payment may properly be made, the *Certifying Officer* shall, in respect of a claim for such payment:

- (a) ensure that the claim:
 - (1) is correct as to amount;
 - (2) is for expenditure that has been previously approved;
 - (3) is made out in the name of a person or organization to whom payment may be made (in agreement with PO or contract);
 - (4) has not been previously paid for same expense;
- (b) confirm the correct budget item in the SSF-grant fund Budget to which the amount is chargeable; and
- (c) be satisfied that all requirements under an agreement or contract have been satisfied by the claimant before payment is rendered to the claimant.

Appendix B - Detailed Instructions for Key Process Forms

[To be completed in association with the Grant Management Module - GMM]

Form 2: Procurement or Commitment Payment Orders (PPO or CPO)

Overview

A written authorization must always be obtained, when exercising the authority to expend SSF Grant funds. Either the *Procurement or Commitment and Payment Orders* (PPO or CPO) is the vehicle for starting and conducting the spending process. The choice of forms is determined at time of grant signing when SSF determines if the grantee will follow non-commitment (PPO) or commitment accounting (CPO). The following is a detailed instruction that assists the grantee, who are a part of the payment process for the purchase of goods or services. The forms, *Procurement or Commitment and Payment Order*, provides a framework for a systematic approach to optimizing the financial and accounting controls related to the Grantee's purchase of goods or services. It also enhances the audit process by collecting all of the necessary authorizations and approvals along with the necessary documentation that supports the purchase and receipt of a good or service.

Each section and line of the form will be discussed and the necessary instruction for completing the form or reference to other materials will be made as the explanations are provided. The instruction is provided in the sequence that a normal purchase or spending would be conducted. If more than one copy of a document is necessary, or if there is a required routing for a document, instruction is provided in this document for the correct handing of this particular facet of the duties. Headings contained hereunder will conform to the headings in the *Procurement or Commitment and Payment Order* on Form 2.

Identification of Budget Data

This first section of the PPO or CPO form is to be completed by the Grantee at the BCS level where the spending is proposed. The BCS code structure is explained in the Budget Classification Structure documentation. **Any additions or modifications to the coding structure are the sole authority of SSF.**

Non-Commitment Approach (PPO)

Procurement Amount: Every effort should be made to anticipate as accurate an estimated cost as possible since this amount is the value that will be reviewed against available budget funds to ensure there are sufficient funds available when the *Authorizing Officer* considers authorizing the purchase.

Commitment Approach (CPO)

Commitment Number: Bisan CV. The Bisan CV number will be provided by the Accounts department when they enter the CPO into Bisan. See discussion in section 2.2. You only use this form when SSF has asked you to use the commitment basis of accounting.

Commitment Amount: Every effort should be made to anticipate as accurate an estimated cost as possible since this amount is the value that will be reserved

from the Grantees budgeted funds and will reduce the amount of uncommitted funds available for future spending.

Requirement and Justification

This section should contain a brief description of the reason and justification for the proposed spending.

Procurement or Commitment Authorization

Grantee Requesting Officer: The officer raising the request signs to confirm the Procurement/Commitment is required to execute the grant agreement.

Grantee Authorizing Officer: An *Authorizing Officer* (generally the Project Director), before authorizing a proposal to spend grant moneys, must have satisfied himself that:

- (a) the proposal is in accordance with the policies/requirements of the SSF grant; and
- (b) the proposed expenditure will make efficient and effective use of the grant moneys available from SSF for implementing the grant.

The *Authorizing Officer* (AO) along with his/her superiors should be totally aware of the spending that has been approved for executing the SSF grant. The AO should determine whether the proposed PPO or CPO exceeds the funds available to procure.

If it is clear that the *Funds Available* limit will be exceeded if the proposed Procurement or Commitment proceeds, the Grantee must not process the PPO or CPO, and must not commit to purchase the goods or services, until additional budget funds have been provided in GMM by SSF.

Recording in Bisan GMM

Non-Commitment Approach (PPO)

Nothing is recorded into GMM at this time. The first time an entry is made into the GMM when the non-commitment approach is used is when a payment voucher is raised and payment process started (Step 9 in the process diagram). This means it is after *Certifying Officer* has approved payment.

Commitment Approach (CPO)

Once signed authority for the commitment has been obtained, the *Authorizing Officer* will forward the CPO to the Accounts dept. for entry into the GMM. This process will generate the commitment and reserve the funds in the Grantee's formal accounting records. Accounts will print the Commitment Voucher (CV), attach it to the CPO and enter the Bisan CV number in the Identification of Budget Data section of the form.

Once the CV confirmation is received by the Procurement department, it is free to begin the procurement process. A Purchase Order, signed by the Approving Officer, must be issued to document every purchase of goods or services. Complex purchasing arrangements may require a formal and more lengthily contract to document the agreement between the Government and the supplier. See **Form 4: Purchase Order/Receiving Report Detailed Instructions** for further details.

Payment Approval

All transactional documents related to a purchase of goods or services will be presented to the *Certifying Officer* for his conformance of data on the documentation. The *Certifying Officer* will complete the amount to be paid in the **PPO** and will determine that there is sufficient budget to pay the final contracted amount.

If a **CPO** is used, the *Certifying Officer* will determine that the final payment amount does not exceed the CV committed amounts on the CPO. There will be instances where the Payment amount exceeds the committed amount, in which case additional commitment must be processed before the payment can be approved. Once the CV has been updated, the CPO package is sent back to the *Certifying Officer* for approval.

He will also circle the *attachments*, and *type of payment* on the form where appropriate.

The *Certifying Officer's* signature on the PPO or CPO signifies his approval of the transaction for payment and that he has:

(a) ensured that the claim:

- (1) is correct as to amount;
- (2) is for expenditure that has been previously approved;
- (3) is made out in the name of a person or organization to whom payment may be made;
- (4) has not been previously paid;

(b) confirmed the correct Budget Line item in the Grantees Budget to which the amount is chargeable; and

(c) is satisfied that all requirements under an agreement or contract have been satisfied by the claimant before payment is rendered to the claimant.

The completed PPO or CPO will be presented to the Account dept. who will process the approved payment in the GMM. A cheque or payment advice will be printed as an output from the GMM. The documents are signed by the appropriate officer(s) and remittance is made to complete the Grantee's obligation.

Payment Information

This section contains the necessary information to either electronically print a cheque to a beneficiary, or to print a payment advice which orders the Grantee's bank to transfer funds from the Grantee's bank account to that of the beneficiary. If a cheque or cash is to be the means of payment, only the *Beneficiary* and the *Amount and Currency* need be completed. In addition, the numerical amount of the payment request must be written out in script. If it will be necessary to transfer funds from the Grantee's bank account to the beneficiary bank account, all of the requested information in this Section needs to be completed in order to assure the accurate transfer of funds.

Once payment is issued by the accounting department, the department manually records the Payment Voucher (PV) and GMM cheque numbers at bottom of PPO or CPO form. If the Grantee's bank requires a manual cheque to be issued rather than accept the one from GMM, that manual cheque number is also recorded at the bottom of the PPO or CPO form in the appropriate place

Form 3: Payment Order for Salaries and Allowances

Overview

The *Payment Order for Salaries and Allowances* (POSA) provides the minimum amount of information needed to support the payment of salaries and wages and allowances. The supporting detail for **Form 3** is contained in either Form 3A, Salary detail for Form 3B, Allowances detail respectively.

The *Payment Order for Salaries and Allowances* process is quite similar to the requirements for *Procurement Payment Order (PPO)*. Salaries and most allowances are considered to be recurring expenditures and are committed at the beginning of the grant execution period. This reflects that the commitment to paying the employee for the immediate future is made at the time of hiring this employee.

Identification of Budget Data

The *Identification of Budget Data* information should be completed in a manner consistent with the instruction provided for the *Procurement Payment Order Form 2*.

Either Form 3A or 3B should support the summary information on POSA. The *Payroll Payment or Allowance Amount* on POSA should be the total carried forward from either Form 3A or 3B.

Payment Approval

The Grantee Admin officer (Head of HR) signs the POSA as the person confirming the accuracy and completeness of the Payroll or Allowance supporting documentation in Form 3A or 3B.

The *Approving Officer* should circle the type of detail documents that support the POSA and approves the payment of salaries or allowances by signing POSA. He must also complete the *Payment Information*.

Payment Information

This section contains the necessary information to either electronically print a cheque to a beneficiary or to print a payment advice which orders the Grantee's bank to transfer funds from the Grantee's bank account to that of the beneficiary or Paying Officer. If a cheque or cash is to be the means of payment, only the *Beneficiary* and the *Amount* need be completed. In addition, the numerical amount of the payment request must be written out in script. If it will be necessary to transfer funds from the Grantee bank account to the beneficiary or Paying Officer, all of the requested information needs to be completed in order to assure the accurate transfer of cash funds.

Payment to Paying Officer

If the payment output from the GMM is either a cheque or a payment advice, the Paying Officer will take possession of the payment document in order to obtain the necessary funds to pay individuals. In this situation, the Paying Officer would sign this section to indicate having received the cheque or payment advice. The Paying Officer also takes responsibility for the three statements contained therein. The Paying Officer would obtain cash by either cashing the cheque or presenting the payment advice at the bank. Once the Paying Officer obtains cash from the bank he would pay the individuals listed in Form 3A or 3B.

Once payment is issued by the accounting department, the department manually records the Payment Voucher (PV) and GMM cheque numbers at bottom of POSA form. If the Grantee's bank requires a manual cheque to be issued rather than accept the one from GMM, that manual cheque number is also recorded at the bottom of the POSA form in the appropriate place

Form 4: Purchase Order/Receiving Report

Overview

The purchasing process involves choosing the method of procurement, tendering, evaluating the responses, negotiating with a preferred supplier and finally entering into a contract or issuing a *Purchase Order* (PO). A decision must be made about whether quotes will be sought, or tenders called, or whether some other procurement method will be followed. Procurement rules are given in **Appendix C** that relate to utilizing SSF funds. One of the main objectives of the procurement rules is to promote open and effective competition.

The final phase of the procurement process is that of entering into a formal commitment with the supplier. This may involve issuing a *Purchase Order* for less complex orders or by signing a formal contract on complex purchases to supplement the *Purchase Order*. The Grantee director/manager is required to identify which officers should have the power to enter into legal commitments for the spending of SSF Grant funds that will require expenditure from the grant Budget. These officers will be designated as *Approving Officers*.

At an appropriate point depending on the procurement method selected, a *Purchase Order* will be completed in order to procure the goods or services.

A *Receiving Report* will be completed by a designated *Receiving Officer* after the officer has inspected the goods or services to determine that what was received is in accordance with the description, quantity and quality required in the *Purchase Order*. The bottom portion of the *Purchase Order* serves as the *Receiving Report* in most instances. If everything is received as ordered, the officer simply would sign the document indicating this fact. Space is provided for the officer to note exceptions if the goods or services do not meet description, quantity or quality, or other terms and conditions as required in the *Purchase Order*. Occasionally, the officer will have to submit a supplemental list of variances from the *Purchase Order* requirements.

Each section of the form is discussed below and the necessary instructions for completing the form are provided. The instructions are provided in the sequence of a normal purchasing and receiving transaction. Headings contained hereunder conform to the headings in the *Purchase Order/Receiving Report*.

Purchase Order

This *Purchase Order* form is to be used for procurement of goods or services and should be completed and signed by the Grantee's *Approving Officer*. Depending on whether the Grantee is performing non-commitment (PPO) or commitment (CPO) accounting, a separate form is used.

Date: is the date of issuance of the *Purchase Order*.

Bisan CV No.: is the CV number entered on the CPO after the commitment has been recorded in the Bisan GMM if commitment accounting is used and you utilize a CPO to start the procurement process. The Bisan CV No. links all the stages in the financial process. If non-commitment accounting is used and you start the process with a PPO, this number does not appear on the LPO.

Local Purchase Order (LPO) No.: is a sequential number that is maintained within each Grantee's procurement office to control the issuance of *Purchase Orders* (LPO).

Supplier Information: identifies relevant contact information about the supplier.

Delivery Instructions: are provided to the vendor to instruct him on the required mode of delivery, packing instructions, place of delivery, timing of delivery, etc. It is important to include all critical delivery instructions that have been negotiated with the vendor in this section since the Grantee's procurement officer must approve any deviations from the instructions before delivery can be made.

Description: includes any physical description, part number, etc. that assists in the identification of the goods or services.

Quantity: is important to identify since the order may include many parts. Quantities of each part must be identified.

Rate: is the unit cost of the goods being ordered.

Amount: is the extension of the *Quantity* and the individual unit price or *Rate* for each item listed. Care must be taken to assure the accurate calculation to arrive at the total *Amount* of value ordered.

TOTAL COST: is the sum of all of the *Amount* lines. Again, accuracy is very important in this addition in order to protect against the Grantee paying more than the agreed upon price.

BCS code: should be applied in accordance with the instructions for PPO or CPO Form 2.

The type of supporting documents that accompany the Purchase Order should be circled on the *Purchase Order*.

Grantee Contact Person, Phone/Fax No, E-mail: This is the person and contact details the vendor should contact initially to enquire about the LPO.

Grantee Approving Officer: An *Approving Officer* (usually the department Financial Officer), before approving a proposal that commits spending grant moneys from the SSF-grant Budget, must have satisfied himself that:

- (a) the proposal was authorized by a properly appointed *Authorizing Officer*;
- (b) the estimated procurement or commitment value must be consistent with that approval;
- (c) the proposal must represent the best value for money; and
- (d) there is sufficient funds available in the correct budget line to meet the proposed expenditure, after taking into account other expenditure to be met from the line.

When these conditions have been satisfied, the *Approving Officer* may sign as entering into a legal requirement that will result in expenditure from the Grantee SSF-funded budget.

Signature and Date: is the signature of the *Approving Officer* and the date is the day the commitment is made on the *Purchase Order*.

Receiving Report

The Grantee must verify that the goods and services specified in the *Purchase Order* are received in accordance with the terms and conditions as specified in the *Purchase Order*. The Grantee's Receiving/Financial Officer is responsible for verifying that the above conditions are met and he/she attests to the verification by signing the *Receiving Report*. Any deviations from number of items or conditions of the items listed in the purchase

order should be noted in the space provided for such exceptions. An extra sheet should be provided if the description of exceptions exceed the provided space in the *Receiving Report*. The information provided should contain enough data about the deviation to allow the vendor invoice to be adjusted for the value of the usable goods received

Appendix C - SSF Procurement rules

SSF is committed to best practice procurement in relation to all grants, investments and purchases of supplies. The Fund Manager expects all grantees/investees to comply with the following procurement principles:

- Competitiveness and transparency
- Professionalism
- Integrity and honesty
- Zero tolerance for corruption
- Adherence to documented policies and procedures.

All procurements must be subject to competitive processes where a minimum of three quotations are obtained and evaluated on the basis of technical and financial value for money considerations. Quotations may either be obtained directly from pre-qualified suppliers or through appropriate solicitation or advertisement as appropriate to the value, nature and location of the supply.

The following minimum rules will apply:

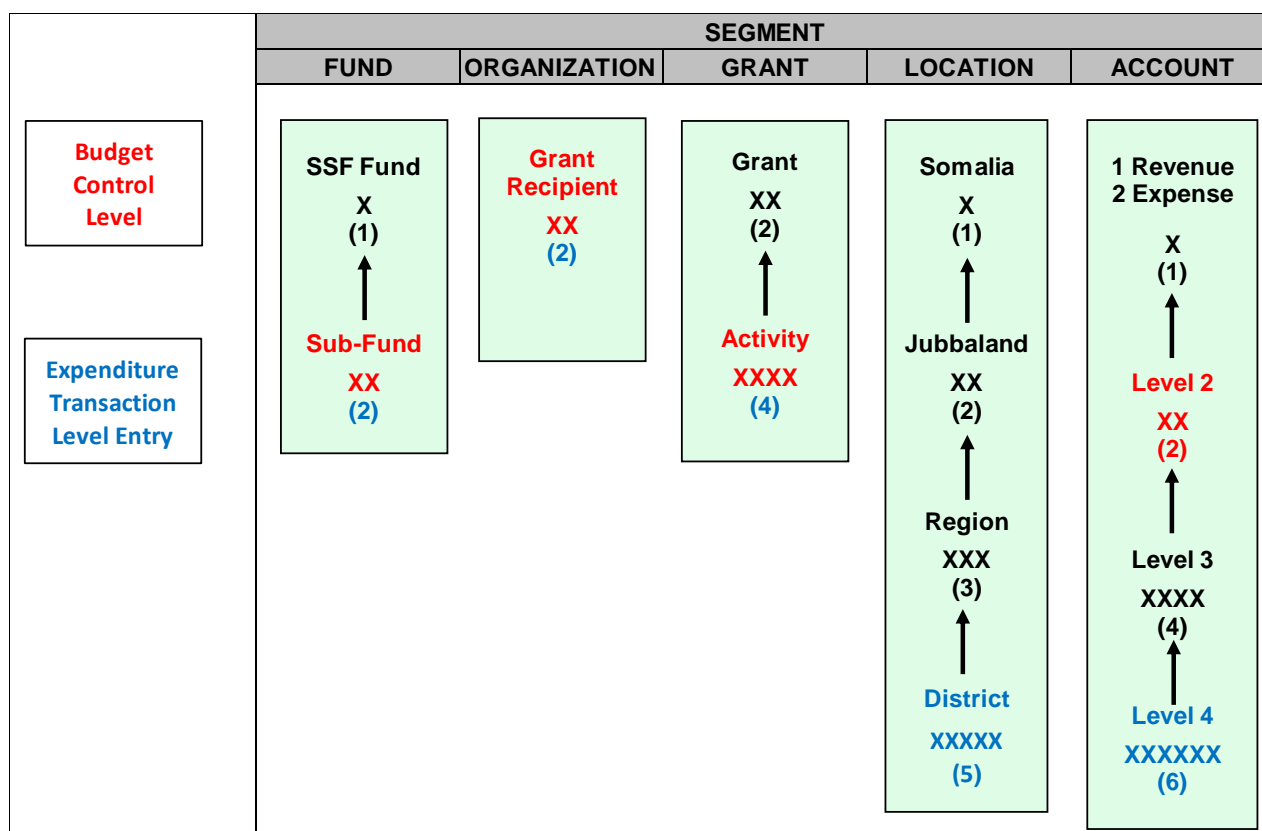
- Competitively draft and file a list of preferred suppliers annually, signed off by management;
- The procurement committee – consisting of the Director and all senior managers shall be responsible for procurement processes;
- For procurement below USD 500 no quote or comparative analysis is needed, but all procurements above this limit must observe the following principles.
 1. A procurement committee/*Authorizing Officer* written decision to procure the goods or service and establish a competitive bidding process.
 2. Board management team approval of commencement of this process.
 3. The procurement committee will form in-house rules for procurement depending on the nature of service or asset.
 4. At least one director or senior representatives of board must sit in the procurement committee
 5. A minimum of three quotations must be available.

All procurement must represent Value for Money. For recurrent low value procurement items, an annual sourcing may be done, allowing for single sourcing throughout the year. The above stated procedures must be adhered to, and in addition a justification for single sourcing from management must be drafted and filed. All procurement documentation must be signed off by the appropriate staff member, based on the approved table of delegation of authority.

No one single person should be able to oversee or process a transaction from the initiation, authorisation, delivery, to recording of transaction. Authorisation limits should be implemented and observed vertical and horizontally within the organisation. Clear description to quality specification should be documented at the initiation stage by both the user departments and sourcing entity to avoid any ambiguity. Confirmation to quality needs should be confirmed in writing by a senior staff of the user department on delivery of the procured goods or service.

Appendix D – Budget Classification Structure (BCS)

The following is a general description of the BCS, how to interpret its segments and elements within the segments. It is a common structure that the grantee must use when operating the GMM. The grantee’s budget and expenditures are recorded using the BCS. A summary of the BCS is as follows:



1. Development of the Budget Classification Structure

A budget classification structure, often referred to as a *Chart of Accounts* is a means of classifying a grantee’s accounting data in a way that leads to better management and accountability, through clarity and transparency of operations.

Major classifications of accounting data for grantees are revenue, expenditure, assets and liabilities. Within each major classification further sub-classification occurs, e.g. expenditure may be sub-divided into accounts for salaries and wages, goods and services, other operating expenses etc. The necessary level of sub-classification depends on the nature of the accounting entity and the needs of users of the accounting information. SSF, as the provider of the grant funds, has determined that for expenditures, the main classifications are **Staff Costs, Travel Transport & Accommodation, Admin & Other Project Overheads, Capital and Activity** lines listed under the **Direct Project Activity Cost** category

The SSF BCS for grantee financial operations has been designed to capture sources and uses of funds in sufficient detail to satisfy the reporting requirements of the grantee, SSF as manager of the grant funds and for reporting to the donors to the Stability Fund. The

categories provide a structure within which the individual financial transactions are recorded in a consistent manner with a logical means of aggregating each set of related transactions. The structure determines the limit of reporting financial information because data cannot be reported unless the relevant category has been created in the BCS.

A description of each Segment is in the following sections.

2. Processing of Financial Transactions

In line with sound financial procedures, all financial transactions will have to conform to the BCS coding structure (see below), and the *Chart of Accounts* developed by SSF. Transactions will be identified by the source of **Funds**, the **Organization** (Grantee), **Project**, **Location**, and **Account** detailing Expenditure and Revenue by a set structure determined by SSF, however account items can be added should it be required during the Grantee budgeting process.

All grantees will be required to utilize the relevant codes when processing any financial transaction in the Bisan GMM.

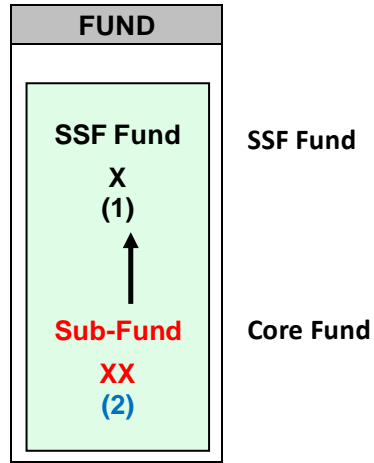
3. Description of BCS Codes for transactions

Each Segment within the structure shows the “Belongs To”, or roll-up structure developed mainly for reporting purposes. There are two specific levels in the structure identified for (1) transaction processing and (2) for budget ceiling and control purposes. Budget Ceiling level is displayed in Red (Budget Control) and Transaction is Blue (Transaction level) which will be used on all transactions. Note, where the lowest level is Red, it will also be the Blue level as all transactions must be entered at the lowest level. A Code Book contains the coding elements of all the BCS segment tables will be progressively developed and implemented in the GMM application.

3.1 Fund Segment

The Fund Segment indicates the source of funding for the relevant expenditure and revenue transactions. The first level of one digit indicates the Total funds spent by utilizing funds of SSF. The second digit defines whether the expenditure is processed by a certain sub-fund set up to finance grants. This structure allows flexibility for SSF to create different pools of funds (sub-fund) specifically used to fund certain grants. Currently, there is only one sub fund. This segment could also be used if the grantee receives funds from another donor and the grantee wants to use GMM to account for that grant too.

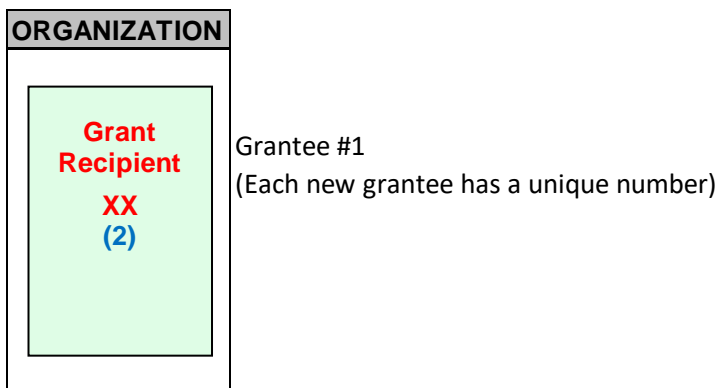
The full format of this segment is set out below:



3.2 Organization Segment

The Organization Segment contains only one level and a two-digit code. This is used to merely identify the grantee to whom SSF has given funds. There are two digits to allow for 99 different grantees to be set up.

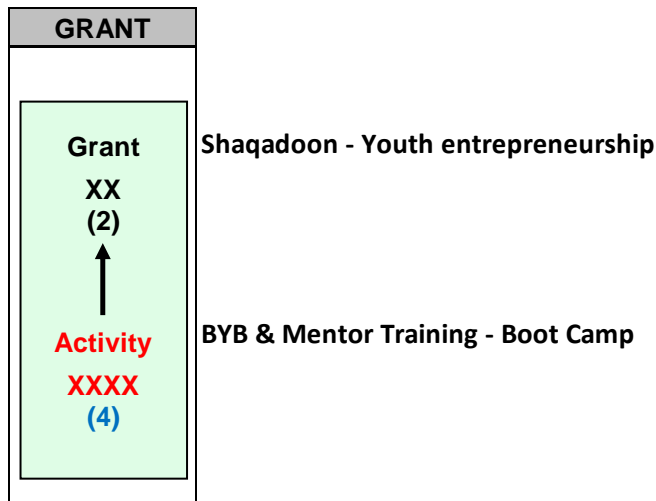
The full format of this segment is set out below:



3.3 Grant Segment

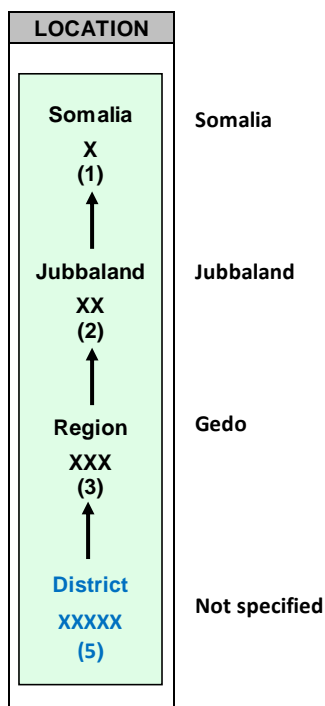
The Grant Segment provides the option to track various activities within a grant project. This segment starts with a 2 digit Grant code that is the name of the grant. The next two digits identify the Activity(ies) within the grant so it can be broken down more for reporting and control purposes.

The full format of this segment is set out below:



3.4 Location Segment

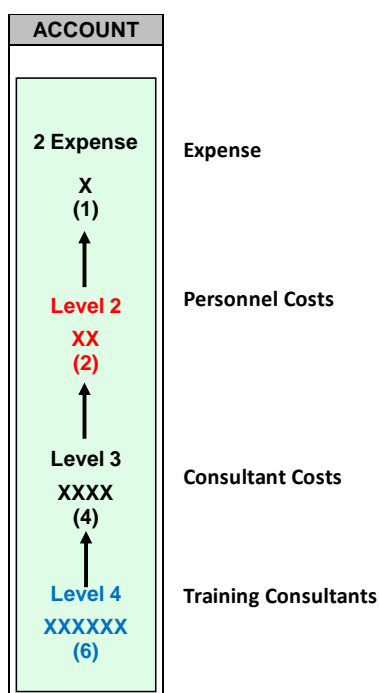
The Location Segment code allows the expenditure made to be identified by *geographic* location which benefits from the transaction. For this purpose the Location segment first identifies Somalia (one digit). The next digit identifies the State, the third digit identifies the Region within the State and the final two digits the geographic district within the Region of the State. Thus the top level code indicates that the transaction is applicable to Somalia as a whole, and would be coded as 10000. Expenditure that would impact on Gedo Region of the State of Jubbaland is illustrated below.



3.5 Account Segment

The Account Segment codes are used to identify expenditure transactions according to the type of expenditure undertaken. The coding is set up by natural classification by nature of expenditures and match the requirements of SSF. At the time of SSF/grantee developing and approving their budget, should they find that the accounts listed in the Account segment does not meet their needs, SSF can easily add the extra account items so the grantee can classify the nature of their expenditures appropriately.

The full format of this segment is set out below:



Appendix E – Minimum Required Documentation

Type of expenses	Minimum required documentation
Personnel	<ul style="list-style-type: none"> • Signed labor contract • Evidence of Payroll <ul style="list-style-type: none"> ○ Pay slips ○ Letters of change of salaries ○ Monthly payroll register (see Form 3A) ○ Monthly payroll reconciliation • Timesheets for IPs which charge out time days
Office supplies	<ul style="list-style-type: none"> • LPO/justification for expenditure • Invoice • Quotations as required within the minimum procurement guidelines • Bid analysis
Consultants & associates	<ul style="list-style-type: none"> • Contract • Timesheets or/and Invoices • Reports
Workshops & training	<ul style="list-style-type: none"> • Quotations • Justification notes/LPO • Invoice • Attendance list • Agenda/programme
Travel & transport	<ul style="list-style-type: none"> • Fuel request forms • Mileage claim forms • Logbooks • Travel justification/approval notes • Invoices • Receipts
Hotel & accommodation	<ul style="list-style-type: none"> • Quotations • Justification notes/LPOs • Invoices • Receipts
Cash Transfers	<ul style="list-style-type: none"> • Justification • List of beneficiaries • Approvals of payments • Evidence of receipt of payment by beneficiary • System report of payments
Other services	<ul style="list-style-type: none"> • Justification notes/LPO, • Contract • Invoice • Payment vouchers/approvals

Type of expenses	Minimum required documentation
Audit costs	<ul style="list-style-type: none"> • Justification • Contract/engagement letter • Invoice • Audit report
Equipment	<ul style="list-style-type: none"> • Justification, • Procurement notes, guidelines and approval • Bid analysis • Sale agreement • Payment approval • Ownership deed
Rent	<ul style="list-style-type: none"> • Contract/lease agreement • Invoice
Buildings & terrains	<ul style="list-style-type: none"> • Justification • Procurement notes, guidelines and approval • Bid analysis • Sale agreement • Payment approval • Title deeds
Vehicles	<ul style="list-style-type: none"> • Justification/LPO • Quotations • Bid analysis • Logbook

Appendix F – Budget Reallocation Form 5

Budget Reallocation – Form 5

Section A: Justification

Justification: Any reflection of reallocation of funds contained in the Accountable Agreement must have a clear and concise explanation of the unfunded requirement, a cost analysis, an explanation of the impact on the activity from where the funds are coming, and why the reallocation of funds across activity lines is necessary at this point.

A justification for the record is required for all reallocation of funds regardless of whether such reallocation requires SSF Fund Manager approval.

Explanation		
Percentage Reallocation: Above 10% Reallocation?	Yes/No	(circle)
Justification:		
Unfunded requirement:		
Impact:		

Section B: Request for Reallocation TO

Organisation XX	Activity XXXX	Activity Description	Location XXXXX	Account XXXXXX	Approved Budget USD	Amount requested USD
		Staff Costs				
		Travel, transport & accommodation				
		Admin & other project overheads				
		Capital				
		Activity (provide required name)				
		Activity (use if required)				
		Activity (use if required)				
Total amount requested						

Section C: Reallocation FROM

Organisation XX	Activity XXXX	Activity Description	Location XXXXX	Account XXXXXX	Approved Budget USD	Amount requested USD
		Staff Costs				
		Travel, transport & accommodation				
		Admin & other project overheads				
		Capital				
		Activity (provide required name)				
		Activity (use if required)				
		Activity (use if required)				
Total amount requested						

Signature and Date of Project Director/Manager who Initiated Request:

Name: _____ Signature: _____ Date: _____

Section D: Entry & Approval

Entry Completion/Approval		Fund Manager [Required ONLY if 10% Reallocation or More]	
Name		Name	
Signature		Signature	
Date		Date	

Entered into GMM?

Yes/No?

GMM Reallocation Voucher Number:

Exhibit 1.1: Monthly progress narrative report

Monthly Investment Updates

Investment Reference:

Investee Name: HIPS

1. **General Update:** Discuss any issue (i.e. political, economic, social or security) that might have an impact on the ongoing project.
2. **Project Update:** Most significant achievements you have registered at FMS, district, and community level. Similarly, record if there are any deviations. Be sure to include numbers disaggregated by age and gender.
3. **Reporting on challenges.** Use the below table to record challenges, response to challenges and expected developments due to the mitigation measures you have put in place.

Category	Challenge faced	Response and Outcome	Expected developments
Security			
FMS/district relations			
Beneficiary /community relations			
Financial			
Other			

4. Steps and Priorities for the next Month.

Use this section to list actions you intend to take next month. These may include meetings, field visits or other means of gathering information.

Type of Action	Reason for Action	Expected Start Date	Expected End Date

5. AOB

Exhibit 1.2: Quarterly progress narrative report

1. Executive Summary (max. 2 pages)

Your executive summary should provide a brief summary of your **main activities and achievements during the reporting period**. Please draw attention to positive or negative external events or unintended consequences of your interventions. Please also state the extent to which you expect to achieve the purpose of your ‘project’ within the overall funding period. If significant aspects of your project may not be achieved please identify the key reasons and suggest ways to overcome these challenges.

2. Project Progress & Performance

Extent to which indicators were achieved during the year

Describe progress on the annual indicators set out in your baseline and project agreement towards fulfilling the objectives of your work.		
	<i>Provide figures and comment on progress</i>	Score* ¹
Output 1		
Output 2		
Output 3		
Output 4		
Etc.		
<i>Comment on each case on no: of beneficiaries reached and indirect beneficiaries targeted</i>		

¹ You should put in a score based on evidence of your progress and be prepared to justify this in follow-up contacts.

*** Score progress in terms: 3 = above target, 2 = on target (+/- 5%), 1 = below target**

Expected outcomes from your project

You should describe progress on how the outputs will contribute to the expected outcomes of your project and their relationship to the Stability Fund's objectives of:

- supporting representative and responsive local governance
- supporting the resolution and mitigation of conflicts

Describe your contribution to the overall SFF results framework. You should complete details against the appropriate indicator(s) to which the project is contributing, providing quantitative data as well as a narrative description.

Risk Management and Mitigation

Describe and explain the key constraints and any barriers to the achievement of the indicators that occurred during the year.

Constraints should be categorised under the following headings, as relevant:

- Technical
- Financial / Commercial
- Management
- Political / Security
- Legal / Regulatory
- Logistics / Infrastructure
- Social / Adoption Rate
- Land Issues
- Economic factors
- Environment
- Weather

The risk assessment for your project needs to clearly differentiate the internal risks and those that are part of the external environment and over which you will have less (or little) control. In order to avoid lengthy narrative discussions, please tabulate risks showing their potential impact and probability and how you intend to mitigate these. With internal risks to the programme it is important to show how you are addressing these and overcoming any problems to effective implementation.

Your risk table should be compiled as follows:

<i>Risk</i>	<i>Potential impact</i>	<i>Probability</i>	<i>Mitigation measures</i>
Risk 1	High / medium / low	High / medium / low	Show how you are tackling the risk in question.
Risk 2			
Risk N			

3. Programme Management

This section should indicate if there have been any significant changes within your organisation that may have a direct bearing on the management of your Stability Fund grant during the reporting period. This could include changes in key personnel responsible for day-to-day operations, financial management, or M&E functions. If there have not been any significant changes, simply state “No change since last report.” in this section.

4. Working with implementing partners

This section should identify any significant changes in your programme implementation arrangements with partners during the period. It should focus on the sub-contracted implementing partners. Please provide a short justification for any new partners and/or the reason for ending arrangements with previous partners. Where new partners have been added, please include a brief description of the management arrangements and

roles and responsibilities during implementation. The capacity and experience of new partners in relation to the proposed roles should also be summarised. If there have not been any significant changes, simply state “No change since last report” in this section.

WIDER PROJECT ISSUES

5. Cross-cutting issues

This section should describe how your project addresses important issues across the range of activities, and should highlight both positive and negative impacts experienced during the reporting period.

<i>Explain in what ways inclusion & gender issues are being addressed by the project?</i>

<i>Explain the project efforts at inclusion of poor or marginalised groups?</i>

<i>Explain how the project is addressing the social and political issues arising from implementation?</i>

<i>Explain and comment on how the project is addressing environmental issues and implementing mitigation strategies?</i>

<i>Explain how the project interacts with the private commercial sector and if relevant how the projects supports changes to the economic enabling environment?</i>

6. Project Accountability to Stakeholders

This section should describe the project mechanisms that enable beneficiaries to provide feedback to your project? How and what beneficiary views (positive and negative) / feedback data is collected and used, and the extent to which it influences project decisions on implementation? How does the project respond to beneficiaries?

LESSONS LEARNT

<i>Please describe any lessons that have been learned during project implementation in terms of lessons for your project which may be relevant to you or other implementing partners, networks in the Somalia, or Government:</i>

7. Confidentiality

The SFF agrees to regard as confidential all progress information of the project that is not in the public domain, or where there are security considerations that require information to be kept confidential.

Exhibit 2: Project proposal budget format

Category <i>5 main expenditure categories but unlimited number of line items per category</i>	Total Project Budget	Design Phase	Q1 Budget	Q2 Budget	Q3 Budget	QX Budget	Total matching funds allocated	Commentary <i>(Explain nature of expenditure and basis for its computation)</i>
	US\$	US\$	US\$	US\$	US\$	US\$		
1.0 Staff costs 1.1 1.2 1.3								
2.0 Travel, transport & accommodation 2.1 2.2 2.3								
3.0 Admin & other project overheads 3.1 3.2 3.3								
4.0 Capital 4.1 4.2 4.3								
5.0 Direct project activity costs 5.1 5.2 5.3								

Exhibit 3: Quarterly Financial Report – Quarter dd/mm/yyyy – dd/mm/yyyy

Category (add sub-Category as required)	Total budget	Current Quarter's Cash Forecast ²	Quarter Actual	Variance %	Cumulative actual	Cumulative Un-spent	Next Quarter's Cash Forecast	Comments <i>Explain major variances</i>
	A	B	C	D = C/B	E	F = A-E	G	
<i>(In accordance with approved budget)</i>	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
1.0 Staff costs								
1.1								
1.2								
1.3								
2.0 Travel, transport & accommodation								
2.1								
2.2								
2.3								
3.0 Admin & other project overheads								
3.1								
3.2								
3.3								
4.0 Capital								
4.1								
4.2								
4.3								
5.0 Direct project activity costs								
5.1								
5.2								
5.3								

² This is the value of "Next Quarter Forecast" from previous quarter's quarterly financial report [column G]

Exhibit 4: Certified Request for Funds

N.B. To be supplied on the applicant's official letter headed paper.

FUNDS REQUISITION FORM

Investee Name: _____

Project Reference: _____

Project Name: _____

	Amount US\$
Total Contract Value ----- A	
Retained Amount (i.e. GMM, Office 365 etc) ----B	
Total amount to be disbursed to the Grantee ----C=A-B	
Total funds received from SSF to Date-----D	
Total Actual Expenditure to Date-----E	
Unspent balance----- F=D - E	
Forecast of expenditure for next quarter----- G	
Less 5% Retention Amount ----- H - (5%*G)	
Funds Requested-----I= G – F - H	

NB: Attach Transaction Listing and Detailed Forecast that ties to row E and G respectively.

I certify that all actual expenditure information above are uploaded onto the Grant Management Module (GMM) and have been necessarily incurred on behalf of the project as specified in the Accountable Grant Agreement (AGA).

I also certify that the forecasts of expenditure above are realistic estimates of expenditure that will be necessarily incurred on behalf of the project as specified in the Accountable Grant Agreement.

Name: _____ Position: _____

Signature: _____ Date: _____

Confirmation of bank details:

Bank Name:	
Bank Postal Address:	
Name of Account:	
Bank Account Number:	
Sort Code:	
Currency of Bank Account:	
IBAN number [for bank accounts within Europe]:	
SWIFT number:	
ABA or BIC Number:	

Exhibit 5: Asset Inventory

N.B. This report should be supplied in an Excel file.

[Project Name]

Item No	Serial No.	Date of Purchase (dd/mm/yy)	Descriptions (make and model as appropriate)	Purchase Value (£ or \$, not both)	Location / User	Responsible person	Anticipated useful life (years)	Disposal date (dd/mm/yy)	Reason for disposal

Certified by:

Name: _____ Position: _____

Signature: _____ Date: _____

Exhibit 6: Unpaid liabilities and commitments

N.B. This report should be supplied in an Excel file.

[Project Name]

No	Description	Budget line	Supplier	Purchase ref (PO/invoice No)	Amount (US\$)

Certified by:

Name: _____ Position: _____

Signature: _____ Date: _____

Exhibit 7: Project Close-out Report

N.B. This report documents narrative and financial information regarding the project close-out exercise jointly conducted by staff from both SSF and grantee/investee. Analysis schedules or further reports should be cross-referenced to this report and attached accordingly.

Grantee/Investee Name:
Project Name:
Project Term:
Report Date:

- 1. Actual project grant/investment disbursed by the Fund Manager and accounted for by the grantee/investee

- 2. Final project funds receivable from the Fund Manager and/or project funds refundable to the Fund Manager

- 3. Status of employment of staff who worked on the project

- 4. List of project assets, location and working condition together with itemized disposal/ownership transfer agreement.

- 5. Final project delivery evaluation assessment

- 6. Any undischarged liabilities

- 7. Details of any cash advances outstanding (i.e., unaccounted for) at the end of the project term.

- 8. Other matters arising

