FINANCIAL GUIDELINES

#5 On-Granting vs Downstream Partner (V2 – October 2022)

1. INTRODUCTION

This guidance explains the differences between on-granting and downstream partner delivery and sets out our expectations at the different stages of the grant life cycle (from due diligence to reporting).

On-granting/Sub-granting is only permitted for Partnership and Strategic Grants. Strategic grants have been replaced by Partnership grants in the AmplifyChange Strategy 2021-2025, however there remain some Strategic grants in our portfolio which were approved before the Strategy was launched and so are referenced here.

Please also note that an organisation can on-grant with part of the funds received from AmplifyChange <u>as well as</u> having downstream partners to support the implementation of other project activities.

Throughout the document, “you” refers to applicants/grantees, and “we” refers to AmplifyChange.

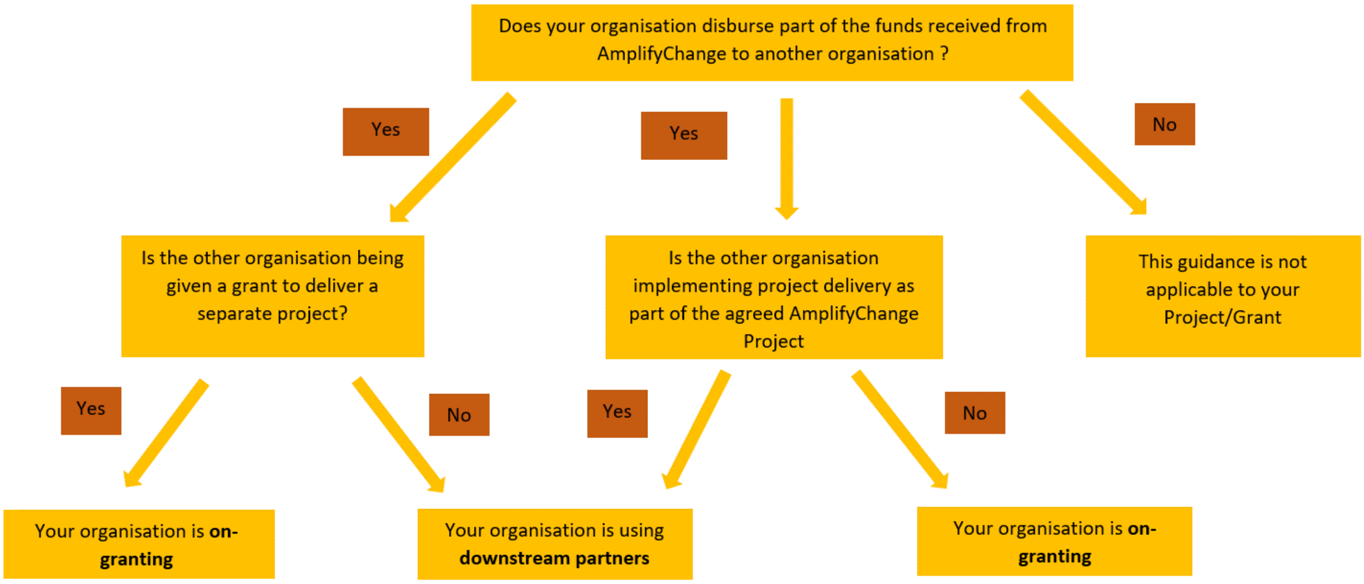
This guidance is intended for AmplifyChange applicants to use when budgeting at application stage and if your application is successful, the guidance should also be used by grantees when completing and submitting financial reports.

As an AmplifyChange grantee, you should always bear in mind that you will be responsible for all funding received from AmplifyChange, regardless of whether funds are spent by your own organisation, through a downstream partner, or on-granted to a different organisation.

In the event of fraudulent activities, you (as the AmplifyChange grantee) will be responsible to fully investigate any allegations of fraud or incidences of lost funds and underwrite the cost of all AmplifyChange funds lost to fraud.

Definitions

The diagram below shows a basic view of how to classify on-granting vs downstream partners.



Downstream partner: an agreement entered into by your organisation and a third-party organisation, in order for that third-party organisation to carry out and deliver part of the work of the overall Project using funds awarded to you by AmplifyChange.

AmplifyChange further defines a **downstream partner** as:

- an organisation that receives, manages, and spends funds for the aims of the same project as the AmplifyChange grantee

- usually identified during the project proposal stage
- named in your approved budget, workplan and Grant Agreement (if possible).

Using **downstream partners** enables you to "outsource" part of your AmplifyChange funded project activities to an implementing partner. This partner could be a consortium or network member; an organisation you select through a tendering process; or an organisation with which you regularly collaborate. You can have multiple downstream partners on your project.

Downstream partners are given project funds in advance to manage and spend on the project and directly contribute to the project Milestones and Indicators. Downstream partners **do not** include organisations who work with you on your project for free, or **supplier** organisations who just invoice you for services or goods they provided (for example a consultant).

On-granting: refers to the ability to pass on a portion of your AmplifyChange grant funding to another organisation or multiple organisations to implement a different project. This organisation will request and be awarded an on-grant from you, if successful following an application process managed by you.

2. DUE DILIGENCE PROCESS

AmplifyChange completes pre-grant due diligence on all our prospective grantees. However, we only assess the grantees themselves, and requires the grantee completes their own assessments on any organisation they are partnering with.

In all cases you, as the grantee, must conduct due diligence on any downstream partner and / or on-grantee before entering into a formalised funding Agreement with them. There are however differences in the requirements of due diligence to be completed between downstream partners and organisations in receipt of on-grants. These differences are explained further below.

a. Downstream partner

If you decide to use **downstream partner(s)** to implement your project, you will have to **explain and evidence to AmplifyChange during the due diligence and pre-contracting** stages that you:

- Have a transparent and documented system for selecting downstream partner(s).
- Will carry out due diligence assessments on downstream partner(s) before contracting them.
- Use Memorandum of Understanding/Contracts/Agreements when engaging with downstream partner(s) that reflect the terms of your Grant Agreement with AmplifyChange

We will also need to understand how you intend to monitor your downstream partner(s) to track financial reporting, including their expenditure, and assess their delivery performance against the project's Milestones and Indicators.

At the due diligence stage, you will also be required to provide the name of your downstream partner(s) (as listed in your application form online) and you will need to provide the amount allocated to each downstream partner. If you need to change your downstream partner(s) and/or the amount allocated to them at any time, this must be discussed and agreed in writing with AmplifyChange.

b. On-granting

If you are **on-granting** as part of your project, you will be requested to describe in detail the application process you intend to use to select your on-grantees and explain how your organisation will monitor the grants awarded. Similar to the downstream partner, we will need to assess during due diligence that your organisation:

- Has a transparent and documented system to select potential on-grantees
- Will undertake any due diligence assessments of applicants before contracting them and ensure compliance with any recommendations arising from the due diligence assessment
- Uses on-granting contracts between both parties, that reflect the terms of your Grant Agreement with AmplifyChange

- Has clear monitoring and recording processes to ensure that funds are correctly spent, and project Milestones and Indicators achieved.

We appreciate that on-grantees will not have been selected at the time we undertake due diligence on your own organisation as part of your AmplifyChange grant application. At this time, we will assess your overall application process for on-granting through evidence supplied to support the different steps of the process. Once the selection of on-grantees has been completed, we will request that you provide us with the final documents.

3. BUDGET CLASSIFICATION

AmplifyChange budgets are split between the five following standard budget headings:

- Project Activities
- Staff Costs
- Monitoring and Evaluation
- Organisational Strengthening (also including Capacity Building and Sustainability)
- Indirect Costs

Within each of these headings, applicants/grantees must define their own budget lines which are specific and unique to the project. Please refer to **Financial Guidance #2 'Budget classification and budget management',** for more detail.

Grant funds spent through downstream partners are reported very differently within AmplifyChange budgets. A comparison of the budgeted transactions is set out below.

a. Downstream partner

If you are using **downstream partner(s)** to implement your project, you will have to include the downstream partner expected costs in the project budget, under each of the budget headings, that you submit to us as part of your application. This budget will be reviewed and agreed during the pre-contracting phase.

An example to help you understand how the budget should be structured is shown below. Please note that this example focuses only on the Project Activities and Staff Costs; however, if applicable, you will need to list any other downstream partner costs under the remaining budget headings (i.e., Monitoring and Evaluation costs, Organisational Strengthening costs, and Indirect costs).

Scenario: Your organisation is ORG A based in Kenya and you selected two partners: ORG B located in Uganda and ORG C located in Rwanda, to help you implement the project. Activity 1 will be conducted by you but Activity 2 and 3 will be implemented respectively by ORG B and ORG C. Salaries will also be paid to ORG B and ORG C.

1) PROJECT ACTIVITIES	ACTIVITY NAME	BUDGET LINE	ORGANISATION	COUNTRY	Period 1
ProjectActivities	Activity 1	Printing	ORG A	Kenya	£1,000.00
ProjectActivities	Activity 1	Conference Package	ORG A	Kenya	£3,000.00
ProjectActivities	Activity 1	Travel expenses	ORG A	Kenya	£2,000.00
ProjectActivities	Activity 2	Radio Time	ORG B	Uganda	£2,000.00
ProjectActivities	Activity 3	Daily Allowance for facilitators	ORG C	Rwanda	£1,000.00
ProjectActivities	Activity 3	Conference Package	ORG C	Rwanda	£6,000.00
Sub-total					**£15,000.00**
2) STAFF COSTS					
StaffCosts	n/a	Finance Manager	ORG A	Kenya	£1,500.00
StaffCosts	n/a	Project Manager	ORG A	Kenya	£1,000.00
StaffCosts	n/a	Executive Director	ORG A	Kenya	£3,000.00
StaffCosts	n/a	Project Manager	ORG B	Uganda	£1,000.00
StaffCosts	n/a	Project Manager	ORG C	Rwanda	£1,000.00
Sub-total					**£7,500.00**

b. On-granting

If your AmplifyChange project includes on-granting, you will need to include this as a project activity in the "ProjectActivities" section of the budget. Please note that you do not have to list any specific transactions related to on-grantee delivery in your budget template under the remaining budget headings. An example is shown below:

Scenario: Your organisation is ORG D based in Kenya. You are on-granting as part of your AmplifyChange grant. At the application stage, we recognise that you do not know who the on-grantees will be (as they are yet to apply for funding). So, you can include a 'Grant Making' line in your budget as a Project Activity under your organisation.

1) PROJECT ACTIVITIES	ACTIVITY NAME	BUDGET LINE	ORGANISATION	COUNTRY	Period 1	Period 2	TOTAL funds Year 1
ProjectActivities	Activity 1	Grant Making	ORG D	Kenya	£20,000.00		£20,000.00
ProjectActivities	Activity 2	Workshop	ORG D	Kenya	£10,000.00		£10,000.00
ProjectActivities	Activity 3	Baseline Survey	ORG D	Kenya		£5,000.00	£5,000.00
Sub-total					£30,000.00	£5,000.00	£35,000.00

4. FINANCIAL REPORTING

Financial reporting should match the structure of your AmplifyChange budget, and as such will reflect the differences between the reporting of on-granting and downstream partner transactions.

Financial reporting periods are based on the start date of your grant, not on financial years, nor the date funds arrive or when you start spending funds.

The start date, end date and reporting deadlines will be detailed in your AmplifyChange Grant Agreement, which will also show the number of reports you will need to submit.

a. Downstream partner

If your project involves downstream partner activity, your AmplifyChange financial report should:

- **Include all expenditure reported by your downstream partner**. This should be detailed by each transaction and, using cash accounting, reported during the period payment was actually made (please do not include internal movements of funds between you and your downstream partner) - Please refer to **Financial Guidance #1 'The Principles of Financial Reporting',** for more detail.
- Record payments on the date they are made.

We require you to keep (or ensure your partner keeps) evidence of all downstream partner expenditure (e.g. invoices/receipts) just as for your own expenditure. We may request to see copies as part of our audit programme (see section 5 below).

Below is an example to show how to report transactions for your downstream partners.

It assumes that:

- Your organisation is ORG A based in Kenya and you selected two partners: ORG B located in Uganda and ORG C located in Rwanda, to help you implement the project
- Your reporting period is from 01 October 2020 to 31 March 2021 (6 months)
- You report on a cash accounting basis and you only report expenses when they have been paid by your organisation or your partners.

Budget Heading (select from dropdown)	Activity Name (must match AgreedBudget)	Budget Line (must match AgreedBudget)	Transaction Description	Organisation	Country	Payment Date	Payment currency	Amount in Payment Currency	Exchange Rate (EUR 1 =)	Amount (EUR)
ProjectActivities	Activity 1	Printing	Invoice from the printing shop	ORG A	KENYA	43,871.00	KES	90,000.00	110.00	818.18
ProjectActivities	Activity 1	Conference Package	Hotel invoice	ORG A	KENYA	44,173.00	KES	350,000.00	134.00	2,611.94
ProjectActivities	Activity 2	Radio Airtime	Invoice from the Radio Station	ORG B	UGANDA	44,129.00	UGX	8,000,000.00	4,430.00	1,805.87
ProjectActivities	Activity 3	Conference Package	Hotel invoice	ORG C	RWANDA	44,146.00	RWF	6,500,000.00	1,155.00	5,627.71
StaffCosts	n/a	Finance Manager	March 2021 Salary	ORG A	KENYA	44,286.00	KES	200,000.00	130.00	1,538.46
StaffCosts	n/a	Project Manager	March 2021 Salary	ORG A	KENYA	44,286.00	KES	140,000.00	130.00	1,076.92
StaffCosts	n/a	Project Manager	March 2021 Salary	ORG B	UGANDA	44,286.00	UGX	4,500,000.00	4,294.00	1,047.97
StaffCosts	n/a	Project Manager	March 2021 Salary	ORG C	RWANDA	44,286.00	RWF	1,200,000.00	1,150.00	1,043.48
						Totals		20,980,000.00		15,570.53

b. On-granting

If you are on-granting, your AmplifyChange financial report should:

- **Include disbursements** made to your on-grantees, in respect of grants awarded to them during the period you are reporting to AmplifyChange
- Include the payments made, clearly showing the date the payment was disbursed to the on-grantee.

Below is an example to show how to report transactions that involve on-grantees.

It assumes that:

- Your organisation is named ORG D
- Your reporting period is from 01 October 2020 to 31 March 2021 (6 months)
- Your on-grantees (ORG E and F) have received their first disbursement respectively on 10 November 2020 and 05 January 2021

- You report your expenses using the cash accounting method.

Ref	Budget Heading (select from dropdown)	Activity Name	Budget Line	Transaction Description	Organisation	Country	Payment Date	Payment currency	Amount in Payment Currency	Exchange Rate (GBP 1 =)	Amount (GBP)
	ProjectActivities	Activity 1	Grant Making	1st disbursement to ORG E	ORG D	KENYA	10/11/2020	KES	650,000.00	128.70	£5,050.51
	ProjectActivities	Activity 1	Grant Making	1st disbursement to ORG F	ORG D	KENYA	05/01/2021	KES	650,000.00	133.90	£4,854.37
	ProjectActivities	Activity 2	Workshop	Invoice for consultant	ORG D	KENYA	02/02/2021	KES	350,000.00	132.80	£2,635.54
	ProjectActivities	Activity 2	Workshop	Travel allowance for facilitators	ORG D	KENYA	24/10/2020	KES	250,000.00	129.00	£1,937.98

Please note that the disbursements to on-grantees should be listed as your own transaction (as shown in the organisation column in the example above).

We require you to keep (or ensure your on-grantees keep) evidence of the disbursements received from you but also evidence of the on-grant expenditure (e.g., invoices/receipts) just as you would for your **own expenditure**. We may request to see copies as part of our audit programme (see section 5 below).

5. AMPLIFYCHANGE PROJECT AUDIT REQUIREMENT

Please note that this paragraph applies only to the grants contracted before 1 July 2022 and refers to desk-based project audits conducted by AmplifyChange Team.

For the project audit requirement for grants contracted after 01 July 2022 please refer to the guidance #7 Audit requirements available here.

As included in the Grant Agreement you sign with AmplifyChange, AmplifyChange and its donors reserve the right to carry out any technical or financial checks / audit that is considered necessary to monitor the implementation of the AmplifyChange funded project at any time up to six years after the date of the submission of the final financial report. AmplifyChange and its donors will use reasonable endeavours to notify the grantee in writing 15 days prior to the commencement of the audit.

The scope for any audit to be completed will differ between grantees who have a downstream partner, and those which complete on-granting. The main differences to expect are set out below.

a. Downstream partner

If you use a **downstream partner** to help implement your project, your financial reporting will include all the transactions of your downstream partner as mentioned above. Our audit of your AmplifyChange grant will select a sample of transactions from your financial report for which you will be expected to provide full supporting documentation.

This sample selection will capture transactions reported as being incurred by you AND by your downstream partner. The supporting evidence that you will need to provide could include receipts, invoice, payslips, timesheets, etc, for all the transactions selected.

b. On-granting

If you are on-granting you will not need to include all the transactions reported to you by your on-grantees in the financial report submitted to AmplifyChange. You will only include the disbursements paid to your on-grantees as mentioned above.

Therefore, to conduct a proper assessment of the funds disbursed for the project activities supported by the on-grant, AmplifyChange will select a sample of on-grants and request relevant documents as evidence such as the on-granting agreement, disbursements schedule, or financial report submitted by the on-grantee to you. We may also request that relevant supporting documentation for some of the transactions included in the financial report of the on-grantees be submitted to us for review.

For all other costs, not related to on-granting, included in your AmplifyChange financial report we will conduct a standard audit to review the relevant documents in support of the transactions reported (e.g. receipts, invoice, payslips, timesheets).

6. FURTHER ON-GRANTING REQUIREMENTS FROM AMPLIFYCHANGE

As mentioned in your AmplifyChange Grant Agreement, if your organisation is on-granting, **you will be responsible for ensuring that on-grantees fully comply** with the terms of your AmplifyChange Grant Agreement which includes complying with the AmplifyChange financial guidelines that you can find on the Grants Portal.

Prior to awarding an on-grant you will be required to carry out a due diligence assessment to ensure that the organisation you intend to award funds to has the capacity and appropriate governance and internal controls in place to meet these requirements. We recommend that your assessment covers the following key areas:

- Governance arrangements and organisational registration
- Organisational policies
- Internal controls
- Financial sustainability
- Past performance
- Capacity to deliver

You should also provide a budget template for on-grantees to submit their proposed budget, which should be agreed if their application for an on-grant is successful, and ensure they are familiar with your financial reporting and audit requirements.

As this is a partnership with AmplifyChange, we can support you with the above on-granting requirements through the learnings we have gained from supporting our own grantees.

QUESTIONS OR CONCERNS

Should you require any further assistance or guidance, please contact your AmplifyChange Grants Manager or Fiduciary Risk Team member.