



SDC How-to Note

Service-oriented remuneration (SOR)

This guide sets out standard budgeting rules within the framework of project implementation mandates. The How-to Note is designed to offer FDFA employees, partners, and third parties a useful, common basis for the financial structure and application of SOR. It applies in particular to tendering procedures and direct awards. It also intends to ensure the economical, effective, ecological and socially sustainable use of public funds.

Annexes

Annex 1: SOR-specific aspects for financial analysis

Annex 2: Private sector engagement: use of financial market-oriented instruments

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1. Introduction

1.1 Aim of this How-to Note

This How-to Note is designed to offer FDFA employees, partners (contractors, bidders, etc.), and third parties such as the Swiss Federal Audit Office (SFAO) and external auditors a useful, common basis for the financial structure and application of SOR. It applies in particular to tendering procedures and direct awards. It also intends to ensure the economical, effective, ecological and socially sustainable use of public funds.

1.2 What is SOR?

SOR stands for 'service-oriented remuneration'. It is the FDFA's basic fee-based remuneration system for project implementation mandates (MPI). In tendering procedures, in particular, SOR ensures that the financial aspects of offers can be compared objectively. Additionally, it sets out standard, generally applicable budgeting rules for mandates, including follow-up mandates that are awarded directly.

With the SOR approach, only the contractually agreed services necessary to implement projects concerned must be budgeted and reported, at agreed rates. The key factor in each case are the approved functions and their terms of reference, in accordance with the technical offer or agreed project document.

1.3 Related instruments

The following important documents are associated with SOR:

- Project implementation mandate (MPI)
- Excel template (SOR budget)
- General Conditions of Business (GCB) for MPIs
- Inspection rights agreement
- SDC Guidance for Logframe
- SDC Guidance for Progress Reporting by Partners
- Information sheet on fees and expenses (in relation to expenses)
- Code of Conduct for Contractual Partners of the FDFA

Further information is available on the internet at [information for contractors](#) and [private sector engagement](#). This How-to Note summarizes the relevant and binding elements of the above-mentioned documents by reference where necessary.

1.4 Basic SOR structure

SOR can be divided into four principal parts:

SOR part	Description	Unit	Explanation
Part 1	Coordination funds	Headquarters (HQ)	Supervision, backstopping and administrative support services provided by the head office or local office through permanent staff .
Part 2		Local office (if available)	
Part 3		Project Implementation Unit (PIU)	Project management: services for the actual project implementation, project management, support staff Experts who are already known by name Project infrastructure such as furnishings and equipment, operating costs of the project office, etc.
Part 4	Project funds	Different units	Project funds under management are funds that are entrusted to the contractor for implementation of services, i.e. that are still awarded in the course of implementation.



Figure 1: Basic SOR structure

1.4.1 Coordination funds: SOR Parts 1–3

SOR Parts 1–3 are designated as coordination funds. This category is used to budget services that the contractor provides itself directly, through its permanent employees (SOR Parts 1+2) or project personnel, or for which it is already planning to award a definite mandate to a certain individual or company (SOR Part 3). The total of these services, plus the necessary materials and operating and related costs of the project implementation unit constitute coordination funds. Coordination funds correspond to the total procurement-related price of outputs awarded as the result of tendering or invitation procedures, or directly. If the headquarters is located in the project country, SOR Parts 1 and 2 may be combined and presented under SOR Part 1. SOR Part 2 is not required if the contractor does not have local (or regional) structures. In all cases, Part 3 must show project personnel.

Coordination funds are required because they are directly related to the project or its outcomes, and are needed for coordination/project management. The key factors in each case are the approved functions and their terms of reference, in accordance with the technical offer or agreed project document. For this reason, coordination funds may not be regarded simply as management costs, in terms of overheads or margins.

1.4.2 Fiduciary project funds management: SOR Part 4

Project funds managed on a fiduciary basis are funds made available to the contractor to implement the project, in other words for output mandates still to be awarded as part of implementation work. The contractor must abide by Swiss procurement law when purchasing services, goods and construction work with project funds. These expenditures are not part of the total procurement-related price. The ['Procurement guideline for FDFA contractors'](#) offers contractors support with proper procurement. To ensure comparability, especially in tendering procedures, no contractor outputs must be either budgeted or charged under SOR Part 4. For further information, please see 3.8 Fiduciary project funds management (SOR Part 4) .

1.5 SOR Excel template

The Excel-based SOR template reflects the basic structure described above. It must be used for MPIs. The template is designed as follows and must be applied unchanged:

Project and partner information	Key project figures and partner details
Coordination funds	Proposed budget for coordination funds
Project funds	Proposed budget for project funds
Account form	Template for financial statement
Financial planning	Template for disbursement plan
Additional information	Partner's remarks on budget and financial statements

The Excel template must be completed according to these instructions. It sets out the minimum standard and may be adapted in line with the project framework.

1.6 Accounting principles

Articles 7.2 and 7.3 GCB set out requirements for accounting and the internal controlling system. These requirements apply as appropriate to subcontractors and contribution recipients. The contractor is liable for its auxiliary personnel and subcontractors (2.4.1 GCB).



2. SOR remuneration principles

2.1 Fee-based remuneration

SOR essentially provides for fee-based remuneration for the outputs required of the contractor. Fees (SOR Parts 1–3) must be listed per person, stating precise details, including name and indication of their terms of reference (see also 2.4 Calculation of fees).

A fee is the figure determined by the contractor on the basis of its internal cost calculations and pricing policy. The level of this fee depends on the contractor's competitive position and business/cost structure. It corresponds to the value of the service per unit of time. **The fee or price offered must be at market level and must cover the costs.** Service-oriented remuneration is composed of wage costs, indirect costs, and a margin for risk and profit.

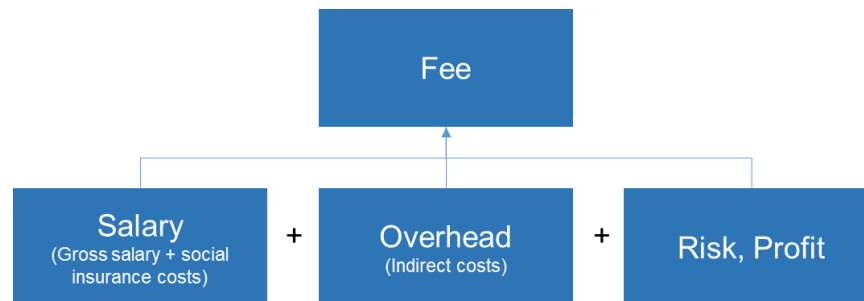


Figure 2: General fee composition

Salary costs are composed of gross salary costs and employer contributions, at least to statutory social insurance costs and other insurance schemes such as health and accident insurance, and other benefits.

Unlike salary costs, **indirect costs** are not attributable directly to the employee. These are also commonly referred to as overhead costs, or overheads.

Indirect costs are made up of the costs associated with the following (this list is not exhaustive): running and managing operations, accounting for the organisation (including audits, financial reviews of consolidated project statements at headquarters (for Swiss NGOs receiving programme contributions)), security and risk management, expenses and travel (not project-specific), general administration, premises, furnishings and equipment, IT infrastructure, investments, maintenance, internal training courses, talent promotion and training, write-downs, acquisitions, entertaining, networking, marketing, duties, taxes, general interest or insurance, and risk cover (bad debtors, general risk, accidents, illness and currency hedges).

Ancillary project and service costs that cannot be charged directly, and costs that are covered by indirect costs and must be settled via the fee:

- Acquisition costs (offer submission and negotiations with the relevant offices at the contracting authority [head office, representation])
- Outputs or costs involved in opening or closing the project structure before or after the end of the project (e.g. start-up costs, registration)
- Support for short and long-term project personnel
- Project administration (contract management, procurement, general correspondence, invoicing to the FDFA)
- General administrative dealings with the FDFA, such as meetings, reporting, invoicing, and travel within Switzerland)



- General administrative support from the headquarters or local office (Part 1 or 2).

The MPI and GCB contain various rights of supervision, as well as the necessary accounting and auditing instructions, which allow the FDFA to see how the contractor calculates costs and disburses funds. In addition, FDFA Internal Audit, the Swiss Federal Audit Office, or designated third parties have the right to conduct a price audit and to inspect the project and accounting documentation for all direct awards, including follow-up phases, from a contract value of CHF 1 million upwards. This must be agreed as part of the contract.

2.2 Which project costs can be budgeted and charged?

A distinction must be made between direct and indirect costs, or between expenditures that can be charged separately and those that cannot. This is one of the basic principles of operational accounting. Where no exceptions are stated (3.9 Inadmissible costs), indirect costs (those that cannot be charged separately) must be budgeted for and refinanced via general indirect costs as part of the fee.

Direct, chargeable expenditures	Indirect, non-chargeable expenditures
<i>Costs associated directly with the project. If the project is cancelled, these outputs/costs are also eliminated.</i>	<i>If the project is cancelled, the activities and/or costs for the organisation remain.</i>

2.3 Price setting / price adjustments / price increases / inflation

The price of a service consists of the time required to complete the task (see also 2.4 Calculation of fees), multiplied by the corresponding fee rate. The total of these services under coordination funds produces the total procurement-related price, or mandate value. The mandate value is determined by means of an appropriate award procedure:

2.3.1 Competitive tendering procedure

Market prices are ensured by means of a competitive tendering procedure, which may be by invitation or public tender. Prices must be adhered to in follow-up phases, i.e. they must be in line with the offer submitted during the original tendering procedure.

Under a competitive tendering procedure, fees may be adjusted only in tandem with the outputs contained in the offer. **Where offers are adjusted, reasons or written documentation must be provided (both in the project document and under the 'Additional information' tab in the Excel template)** as to whether the fee rates or outputs offered (time spent) are appropriate. Changes to outputs must be justified on comparable, objective and factual grounds.

2.3.2 Direct award procedure

In the case of direct awards, such as follow-up phases, it is both possible and recommended that **prices are simply negotiated**. Price increases, specifically, must be indicated, justified and documented in writing (**both in the project document and under the 'Additional information' tab in the Excel template**).

2.3.3 Price increases / inflation

The contractor provides services at the agreed rates. Where budgets are adjusted, the same fee rates as in the original budget apply (7.1.2 GCB). Rates may be adjusted for inflation and price rises only in exceptional cases where a convincing, objective case is presented and a written agreement reached (see also 10.1.2 GCB).



2.4 Calculation of fees

The following time units shall be used to budget fees or the price of the service on the basis of fee rates:

- **Fee rate in hours x 8 = daily rate**
- **Daily rate x 20 days per month = monthly rate**
- **Monthly rate x max. 10.5 calendar months = annual rate.**

2.4.1 Short-term assignments (10.1.1 GCB)

Internal services provided at the headquarters or in the local office must be budgeted at an hourly rate and settled on the basis of timesheets.

Services provided in the partner country as part of official trips based on terms of reference must be budgeted at a daily rate. Official trips to the partner country and within this country are treated as working hours.

Monthly rates are budgeted for continuous stays of more than two months in the partner country, and remuneration paid for outputs actually provided.

2.4.2 Long-term assignments

The factor of 10.5 calendar months is applied specifically to long-term mandates or to full-time personnel on long-term assignments (generally SOR Part 3.1). Based on averages, the factor is calculated as follows:

- **210 chargeable working days** (less annual leave, training and other absences) / 240 possible working days (20 days per month for 12 months) x 12 months

When setting fees both during the tendering procedure and in follow-up phases, particular care must be taken to ensure that hourly and/or daily rates are not simply extrapolated and applied directly to long-term mandates, as this is not financially correct. According to the FDFA's remuneration policy, fees for long-term mandates should be 10-15% lower than rates for short-term mandates, because the associated risks are lower.

2.5 Consortiums

Where several contractors are engaged in a consortium, separate budget lines must be stated for each consortium partner. It must be possible to calculate each partner's share in the consortium as both an amount and a percentage. It is therefore expected that the prices stated in the budget for each partner will be shown for the outputs they provide (see also 2.5. GCB). Key information on the consortium partners must be recorded under the 'Project and partner information' tab in the Excel template. Consortium partners decide between themselves on how they will be represented, as well as on further aspects such as management fees and profit-sharing agreements. The costs or prices of the consortium partners that are actually incurred may therefore be charged according to the contractual arrangements between those partners.

2.6 Subcontractors

Each subcontracting agreement must comply with the MPI, and in particular respect the fee rates it contains (2.1.1 GCB). With the SOR approach, subcontractors' fees must also be budgeted and presented according to SOR principles.

The contractor must not budget nor charge any margins or administration costs (indirect costs) for subcontractors as part of its own fee rates. Only the costs or prices of subcontractors that are actually incurred under the contractual arrangement may be charged on to the SDC. The provisions on subcontracting



agreements in 2.1 GCB must also be complied with. Key information on subcontractors must be recorded continually under the 'Project and partner information' tab in the Excel template.

2.7 Actual costs

Unless expressly agreed otherwise, only costs actually paid may be charged. Discounts, early payment reductions and the like are treated as cost reductions and must be declared in the project statements (5.5 GCB). It must be possible to prove these actual costs, for example with receipts, invoices, or statements verified by an auditor.

2.8 Global budget lines

In many cases it is not yet possible to quantify all costs exactly at the start of a project or at the tender stage. Global budget lines may therefore be created in the sense of an upper limit based on estimates. The requirement is that only actual costs incurred are charged and presented to an appropriate degree of detail. The appropriate award procedure must be applied to SOR Part 4 (see also 3.8 Fiduciary project funds management (SOR Part 4)).

2.9 Lump sums

Lump sums must be neither budgeted nor charged. This does not include cost estimates (see 2.8 Global budget lines).

2.10 Reserves

Contingency reserves must **not** be budgeted in SOR Parts 1–3 or in SOR Part 4. Flexible rules on budget changes (2.3 MPI) in SOR Part 4 permit contingencies such as inflation and currency fluctuations to be offset.

2.11 Budget adjustments

Any change to the phase budget relating to coordination funds (SOR Parts 1–3) requires the prior written agreement of the SDC (Art. 2.2 MPI). Change requests must be submitted immediately to the SDC, but at the latest when the annual budget according to article 4.1 MPI is submitted.

Materially justified increases in the budget for procurement-related coordination funds, including those charged to project funds (SOR Part 4) must comply with the thresholds set under procurement law.

2.12 Environmental footprint

Aiming at reducing environmental footprint, and carbon emissions specifically, resources must be used economically and ecologically. This principle applies especially when planning and conducting official trips, obtaining project funds and operating the project implementation unit.

2.13 Accruals and deferrals

Precisely quantifiable accruals and deferrals can be made in the financial statements at the end of the project on the basis of contractual arrangements, e.g. social insurance payments for support personnel. These costs must be confirmed by final external audit. Lump sums are not permitted.



3. Overview of cost types

SOR is made up of the following parts and types of cost:

Part	Unit	Sub-category	Personnel	Reimbursable costs
Part 1	Headquarter (HQ)		SOR 1.1	SOR 1.2
Part 2	Local office (if applicable)		SOR 2.1	SOR 2.2
Part 3	Project implementation unit (PIU)	Long-term experts	SOR 3.1	SOR 3.2/3.3
		Short-term experts	SOR 3.4	SOR 3.5
		Local support	SOR 3.6	SOR 3.7
				SOR 3.8 Equipment
			SOR 3.9 Office running costs PIU	
Part 4	Administrated project funds		Structure of Logframe/Project	

Figure 3: SOR parts and types of cost

3.1 Fee-based personnel costs (SOR 1.1/2.1/3.1/3.4)

Personnel and/or contractors who are employed locally or regionally (e.g. based in a neighbouring country) are paid at the usual local fee rates, i.e. market prices. The registered office or location of service provision must be stated in the 'Project and partner information' tab of the SOR budget template to enable these rates to be estimated.

3.1.1 Outputs from headquarters or the local office (SOR 1.1/2.1)

These categories can be used to budget and charge services provided by employees of the headquarters or local office **directly and immediately to implement the project** on the basis of clearly defined terms of reference. Support and training missions by the personnel concerned must be listed separately.

The following tasks may be charged, according to the nature of the project and its structure:

Project management and backstopping:

- Reporting
- Internal evaluations
- Annual and phase planning
- Quality control
- Support and supervision.



Project-specific administrative support tasks:

- Fiduciary funds management (monitoring project-specific procurement, project accounting, reporting, coaching for project personnel, training for local finance personnel, liquidity management, project controlling, compliance (fighting corruption, etc.))
- Specific or extraordinary administration and logistics work.

3.1.2 Personnel employed long-term in the project implementation unit (SOR 3.1)

The position and function of the proposed individuals must be defined in terms of reference included in the technical section of the offer. The contractor must conclude written employment contracts with project personnel, and comply with the applicable rules on working conditions and occupational health and safety (4.2 GCB). The relevant units of time for long-term personnel must be observed (see 2.4, p.8).

3.1.3 Short-term experts (SOR 3.4)

Fees and expenses cover the expenditures of short-term experts assigned to the project team on the basis of agreed terms of reference for the positions planned and included in the service offer. The project manager must draw up a specific remit for every official trip and determine the related budget (fees and expenses).

The names of key experts, and their CVs, must be given in the offer. If these individuals have not yet been identified, the general descriptions of tasks given in the technical offer must include the nature and qualifications of the proposed roles.

3.2 Compensations for expatriates (SOR 3.3)

The contractor must ensure that it has context-specific guidelines – in terms of qualifying requirements, criteria and ceilings – for personnel deployed internationally. These guidelines must govern the following aspects, in particular:

- Economy-class transfer flights at the beginning and end of the assignment
- Entitlement to home leave, flying economy class, generally once a year per person, except in a rotation year
- Appropriate reimbursements relating to
 - Transport allowances
 - Usual local living allowances
 - Usual local education allowances for children
 - Ancillary costs.

Only costs actually incurred will be assumed, against the corresponding receipts or contract. Any remarks, such as modalities in very fragile contexts, may be given in the 'Additional information' tab.

3.3 Compensation for local support personnel (SOR 3.6)

Wage costs (gross wages, plus employer social insurance costs such as pension fund/severance pay, bonuses, health/accident insurance) for necessary local support personnel must be budgeted separately and charged on the basis of agreed wage costs. The following functions are generally classified as support personnel: project accounting, secretarial services, drivers, security personnel, cleaners, standby personnel, etc. Wage costs, including their progression, must be budgeted as averages in 12 equal tranches per year for the duration of the project, even if national legislation means that more than 12 monthly salaries are paid.



3.3.1 Training costs for project personnel (SOR 3.9)

The contractor shall deploy only carefully selected and suitably qualified personnel (4.1 GCB). Training costs for fee-based project personnel are considered covered by the overall fee. Participation in training courses required by the FDFA must be applied for and approved by the SDC.

Training costs for salaried local support personnel may be budgeted for separately and charged on an as-incurred basis against receipts (e.g. driver training and security courses).

The SDC bears the costs of training project personnel to the extent it considers this to be essential, and in compliance with the budget (GCB 4.6).

3.4 Expenses and ancillary costs (SOR 1.2/2.2/3.2/3.5/3.7)

Projected ancillary costs for official trips must be broken down into transport costs, accommodation and meals, and other costs and by consortium partners (where appropriate) and reported separately. According to the information sheet on fees and expenses they must be budgeted as follows in line with the contractor's internal rates:

- Travel costs
 - Flights must be booked in economy class (main cabin) and charged as incurred against receipts. If foreign travel for the FDFA is combined with travel for another contracting authority, flight costs are charged only on a pro-rata basis.
 - Train travel: costs as incurred against receipts for (first class)
 - Rental vehicles: costs as incurred against receipts (project vehicles must be used for official travel by car)
- Accommodation costs as a ceiling, reimbursed as incurred against receipts
- Per diem allowances are offered by the contractor in accordance with its internal guidelines
- Other costs such as visas, vaccinations not covered by insurance, and duties and taxes associated with official travel should be charged as incurred against receipts.

3.5 Materials costs (SOR 3.8)

The materials required to implement the project must be grouped by type in the budget. Materials must be charged as incurred against the corresponding invoice or contract. The contractor must take all appropriate precautions, in particular with regard to advance payments and guarantees (5.4. GCB).

If materials have been financed by project funds, no use or amortisation may be charged. The same applies to materials procured in previous phases of the project and financed by project funds (5.5 GCB).

The use of proceeds from the sale of materials will be decided in consultation with the FDFA. The proceeds from such sales must be declared in the financial statements for the project. Sales must comply with the usual local terms and be concluded via a written purchase agreement (5.9 GCB).

3.6 Project implementation unit operating costs (SOR 3.9)

3.6.1 Office rental / office supplies

Office rental, including ancillary costs and the office supplies needed to operate a project implementation unit independently may be budgeted and charged as incurred against receipts, in accordance with the contractual conditions. If office space is made available at headquarters or the local office, these costs must be budgeted and charged according to an appropriate, transparent cost breakdown structure. The cost breakdown structure used must be described in detail in the 'Additional information' tab.



3.6.2 Project vehicle operating costs

The type of travel and/or the choice of vehicle must reflect the precise requirements of the project.

The contractor is responsible for insuring project vehicles, including third-party and passenger cover. These insurance costs are borne by the project and provided for in the budget (9.3 GCB). Please also refer to the principles stated under 3.5 Materials costs (SOR 3.8) .

3.6.3 External financial audit of project statements

The costs of the annual audit of the project's financial statements (see 7.3 GCB) may be budgeted and charged as incurred against the invoice. If local project financial statements are audited as part of consolidated annual financial statements, these costs must be budgeted and charged according to an appropriate, transparent cost breakdown structure. The cost breakdown structure used must be described in detail in the 'Additional information' tab.

The costs of a consolidated audit at the headquarters of Swiss NGOs that receive programme contributions from SDC are covered by the chargeable fees and may not be charged separately.

3.6.4 Direct and indirect taxes, including VAT

Taxes and duties may not be budgeted for, as efforts must usually be made to secure exemptions (see 6 GCB). The SDC must be notified immediately if it is not possible to secure full tax or duty exemptions. Where necessary in such cases, a budget line may be included for:

- Direct and indirect taxes, including VAT.

3.6.5 Bank interest

The SDC generally makes payments on a medium-term basis (3.2. MPI). In the case of agreed advance payments at the beginning of a reporting period, or payments not made on a medium-term basis, the gross interest received must be carried in the financial statements (3.5. MPI). This interest may be set off in the next payment or, in the case of final financial statements, reclaimed by the SDC. Where necessary in such cases, a 'Bank interest' budget line may be included.

3.7 Security costs

In fragile contexts, in particular, where necessary contractors may budget for project-related preventative security costs (direct costs) based on the context and the design of the project. These costs are evaluated as part of a tendering procedure or during budget negotiations in the case of follow-up mandates. Security costs must therefore be presented as a separate budget line under the corresponding item, such as local guards under SOR 3.6 or security equipment under SOR 3.8).

Preventative security costs cover the costs of measures intended to ensure reliable project operations, to reduce risks or to mitigate the detrimental effects of disasters or other undesirable situations. Depending on the situation at hand, the budget might include the following project-related costs:

- Structural/infrastructural security measures (increasing wall heights, adding barbed wire, etc.)
- Employing security personnel (security advisers, guards)
- Purchasing external security services
- Security training for project personnel
- Purchasing security supplies (first-aid kits, fire extinguishers, etc.)
- Purchasing crisis preparedness supplies (emergency stocks, fuel, etc.)
- Acquiring/renting special security equipment (bullet-proof vests, helmets, etc.)



- Means of communication (satellite phones, radios, etc.)
- IT security measures

The following guidelines apply:

- Costs incurred as a result of a security incident may not be budgeted or charged.
- Insurance premiums for individuals must be calculated into fees or wage costs.
- Security costs that the organisation incurs independent of the project in question (indirect costs) are already included in the overall indirect costs calculated into fees, and may therefore not be invoiced separately.
- If the security situation improves or deteriorates in a given context, there are institutional processes for any adjustments that may be needed, such as increases to the budget or the termination of contracts.

3.8 Fiduciary project funds management (SOR Part 4)

3.8.1 Introduction

Fiduciary project funds management refers to money that is made available to the contractor to conduct the project, i.e. for outputs awarded to third parties as part of its implementation. These awards may be made via a procurement process (with or without a competitive procedure, depending on thresholds), or as subsidies, in accordance with the Swiss Subsidies Act (SubA). Any purchases must be made in compliance with Swiss procurement law. Project funds must be charged as incurred against the corresponding receipts or contract. Neither the contractor's administration costs nor its margins may be charged under SOR Part 4. Fiduciary funds should be used for the benefit of the target local population. The project funds may be disbursed by the contractor in the form of a mandate or subsidy, directly or indirectly, to engage with the private sector via formats aligned with the financial markets (see Annex 2: Private Sector Engagement, p.20). The Competence Centre for Engagement with the Private Sector (CEP) and the Contracts, Procurement and Compliance (CPC) Division must be consulted before any financial market-oriented instruments are used:

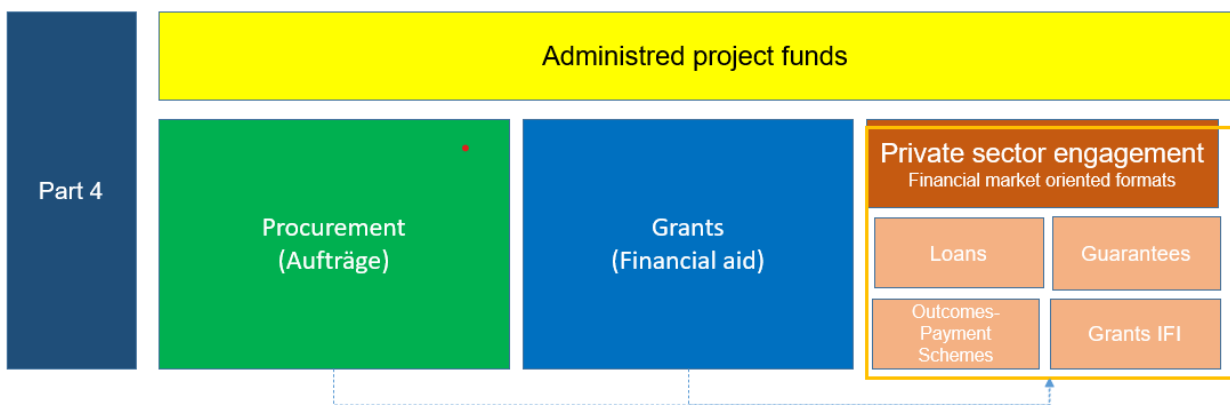


Figure 4: SOR model of fiduciary project funds management

A proper level of detail for SOR Part 4 is key to clarity and transparency, and to creating a way of examining the use of resources by means of cost-effectiveness and financial analyses. It is important that the FDFA and the contractor work closely together so that the SDC is able to fulfil its reporting obligations to the FFA, OECD and third parties, and to present an account of its activities to the Swiss parliament and public. These aspects are weighted and reviewed accordingly as part of initial awards in tendering procedures. The level of detail for SOR Part 4 depends primarily on the project lifecycle. While not all costs can be planned precisely



for initial awards and new projects, a greater degree of detail is required for follow-up mandates and for annual budget updates.

Following the SDC Guidance for logframe document, the logframe should provide information on the total costs of outputs per outcome. SOR Part 4 should therefore be structured accordingly. For project funds the costs can also be defined and further subdivided by outcome/component or work breakdown structure (sub-components/activities, work packages, etc.) depending on the type of instruments used or the needs of the project.

3.8.2 Mandates

Mandates must be awarded in accordance with the Swiss Public Procurement Act (PPA) and the [Procurement Guidelines for FDFA Contractors](#).

Prior involvement or conflicts of interest mean that services provided by the contractor or consortium partner cannot be considered for mandates or subsidies in SOR Part 4. The contractor's outputs must be budgeted and presented in Parts 1-3. Key information on major contractors must be recorded continually under the 'Project and partner information' tab in the Excel template.

3.8.3 SOR Part 4 structure for procurements

For procurements, the structure described above can be further subdivided by cost type. The SOR budget contains possible cost types. These are mainly those for expert outputs from third parties, and services purchased externally. The cost types used must derive from the nature of the project. These might be extended in due course to include local coordination, local premises, etc. The SOR structure itself also provides a framework for this.

3.8.4 Contributions

Contributions are governed by the Swiss Subsidies Act (SubA). Beneficiaries are expected to provide an appropriate share of funding themselves. Grants of financial assistance must consider the financial position of the beneficiary, including reserves and profits, at the time of the needs assessment, and the reasonableness of their own share of funding. In principle, contributions may not be used to generate profits or create reserves. The beneficiary's own contribution and costs must be presented transparently. As a rule, no more than 50% of chargeable costs should be financed to ensure that the recipient remains financially independent of the FDFA. Justification must be given for contributions exceeding this threshold. Shares of overheads may be charged only if they are not already covered by direct costs and fee rates. In other words, general overheads and individual items cannot be cumulated, as this would constitute double charging.

When approving financing facilities, the SDC applies the following reference values to determine the share of costs the beneficiary is expected to provide themselves:

Type	Max. ref. value	Own share/third party	Comment
International NGO	50%	50%	
Local NGO	50-80%	20-50%	The SDC may fund up to 80% depending on the unique nature, innovativeness or political value of the NGO's work.

Outputs of a financial and other material nature may be counted as part of the recipient's own contribution, as may other forms of support such as relevant expertise or specialist knowledge, providing they are quantifiable (e.g. expertise qualifies only if certain hours of that expertise are provided free of the usual



charge). The work must actually be provided. All elements of the recipient's own contribution must be quantified and evidenced as part of the reporting process. It must be possible to monetise them and have them audited by an external auditor. Only actual direct and indirect costs qualify here. Non-financial contributions must constitute in-kind outputs with a market value comparable to that of an equivalent third-party output. This means that the same service would not be provided to a third party without receiving something of equivalent value in return.

Selection procedures for potential applicants create transparency and equality of opportunity. They also support the aim of a sparing and economical use of funds. Where there are initiatives or approaches which the contractor is not yet familiar with in detail, it is worth taking a competitive approach to awarding contributions, in the sense of a call for proposals. Where one or more organisations or private individuals have already embarked on an initiative and developed a clear partnership concept, it is worth examining a contribution to the initiative in question. Key information on major contribution recipients must be recorded continually under the 'Project and partner information' tab in the Excel template.

3.8.5 Tied contributions under SOR Part 4

The SDC may set requirements for the extent to which the available project funds (SOR Part 4) should be used for specific purposes. Determined as part of a tendering procedure or project document, for example, these must be budgeted and charged separately in SOR Part 4.

3.8.6 Contributions to Swiss NGOs

If a programme contribution agreement already exists between the SDC and a Swiss NGO, no targeted contributions involving project funds from SOR Part 4 must be made to that Swiss NGO.

3.8.7 Strategic partnerships

Where strategic partnerships are entered into in the form of procurements or financial assistance, and involve significant amounts, they must be listed in the 'Project and partner information' tab of the Excel template when budgeting and as part of reporting. This information must be kept up to date. Partnerships are regarded as strategic if they are worth more than CHF 100,000 or involve significant implementation outputs.

3.9 Inadmissible costs

The following costs may be neither budgeted nor charged:

Propaganda, political campaigns, etc., or outputs subject to sanction. Where project funds are used for private sector engagement (PSE), please refer to the list of excepted sectors and business areas (PSE Handbook). Personal use of equipment and facilities (mobile phones, vehicle use, etc.).

Shadow contracts designed to avoid compulsory social insurance contributions or taxes are forbidden for both employed personnel and subcontractors.

4. Fund requests

Payments are generally made according to the agreed payment plan. Payments may be adjusted depending on the progress of work and the expenditures that have been made, and taking into account planned expenditures in subsequent project periods (Art. 3.4 MPI). High advances nonetheless carry financial risks. The economical use of resources must be ensured at all times. Fund requests should factor in available funds at the end of the reporting period in question, as well as the funds required for the following reporting period, including the time allowed for reporting, until the next payment is received. The 'Financial planning' tab of the Excel template must contain the corresponding disbursement plan.



5. Reporting

Project costs are charged in accordance with the agreed budget structure in the 'SOR reporting' tab. The statement must be dated and signed by the project manager. Applying the cash basis of accounting principle, statements must give only actual costs and expenditures (see also 7.3.2. GCB). Narrative reporting must follow the SDC Guidance for Progress Reporting by Partners, Annex 1: Checklist for Annual Progress Report, chapter 4 (Art. 4.1 MPI).

Article 2.3 MPI states that the project funds budget (SOR Part 4) may be amended without the prior agreement of the SDC, and simply reported, providing all of the following conditions are met:

- The changes are presented in the next statement
- The agreed project funds (SOR Part 4) are not exceeded
- Changes do not exceed 10% or an agreed sum (see valid contract) per budget item, where the lower of the two values (percentage or absolute amount) applies. **The higher the level of detail (activity) given in SOR Part 4, the greater the need to define the budget item in question in the special contractual conditions, for example at output level.**

6. Compliance

All irregularities such as corruption, the misappropriation of assets, or fraud in the preparation of annual financial statements or reports must be reported via the whistleblower platform. However, SDC contractual partners are invited to report the matter, as soon as possible, in priority, to the operational unit concerned within the SDC (Cooperation Office or head office). In the latter case, the report will then be forwarded by said unit to the FDFA Compliance Office via the whistleblowing platform.

The Code of Conduct for Contractual Partners of the FDFA applies correspondingly to SOR. Cartel agreements such as price-fixing are prohibited under the Swiss Public Procurement Act, and must also be reported to CPC.

7. Contacts

SOR: Quality Assurance and internal Digitalisation: qualitaetssicherung@eda.admin.ch

Contracts, procurement, compliance, Swiss Public Procurement Act and application of the Subsidies Act:
CPC: contracts_procurement@eda.admin.ch

Private sector engagement: sektionwirtschaftundbildung@eda.admin.ch



I. Annexes

Annex 1: SOR-specific aspects for financial analysis

The following aspects may be considered in tendering procedures, in negotiations on mandates to be awarded directly, and in financial analyses. The context (including security), the nature and complexity of the project, local capacities and the maturity of the project should also be taken into account here.

Aspect	Review	Review	Comment
Ratio of SOR Parts 1-3 / SOR Part 4	Coordination funds / project funds	What proportion of coordination funds does the contractor hold and is it appropriate to the nature of the project?	
HQ ratio	SOR Part 1 / coordination funds	What HQ outputs are charged? How much is backstopping and may aid knowledge transfer? Is the price appropriate?	
Project management	SOR Part 3 / coordination funds	What project management outputs are charged?	
Full-time positions	Proportion of full-time positions	How many full-time positions are proposed under the coordination section (SOR Part 1-3)?	
Travel and ancillary costs	Level and scope of travel and ancillary costs	Are budgeted travel and ancillary costs adequate?	
Materials costs	Level and scope of materials costs	Are the materials budgeted for under SOR 3.8 adequate?	
Operating costs	Level and scope of operating costs	Are the operating costs budgeted for under SOR 3.9 adequate?	
Security costs	Have security-related aspects been considered?	Have preventative security-related aspects been budgeted, and can they be compared?	Particularly in fragile contexts
Consortiums	How are coordination funds distributed between consortium partners?	Can costs be divided and compared between consortium partners?	
Project funds	Is the structure suitable to allow comparison using logframe indicators, for example?	Are project funds structured appropriately to allow outcomes to be compared with the funds used to achieve them? Can modalities be analysed?	



Annex 2: Private sector engagement: use of financial market-oriented instruments

The general rules on contributions (in accordance with the FA IC and the Subsidies Act) and on procurement (in accordance with the Federal Act on Public Procurement) apply to the transfer of project funds managed on a fiduciary basis to employ financial market-oriented instruments. The relevant budget lines in the SOR Part 4 budget must be tagged 'PSE'. An asset portfolio may be transferred for contributions, loans or guarantees in contractors/implementation partners with the appropriate legal personality, that award PSE instruments/forms of financing to beneficiaries on behalf of, under the instruction of and with the fiduciary funds of the SDC in their own name and for their own account. The costs incurred may be entered as (uncapitalised) project expenses in their accounts. The contractor must declare PSE instruments in its accounts.¹

The SDC must provide information on the use of funds managed on a fiduciary basis at any time, and be able to declare these as contingent liabilities in the state financial statements. For this reason, key financial and operational information relating to all financial market-oriented formats must be reported along with financial planning values, and the status of the organisational unit responsible as at the end of the year communicated proactively to the Economy and Education Section KEP (sektionwirtschaftundbildung@eda.admin.ch).

The contractor must notify the SDC if it has received a repayment in connection with market-oriented financial instruments. These returns are interest or redemptions, for example. For the duration of the project these return financial flows are booked on an annual basis as income. The contractor does not have to physically repay the amount in question, and may re-use it in accordance with the contractual arrangements with the SDC, or as agreed. However, as a rule funds remaining or unused at the end of the project (or the planned duration of SDC involvement) do have to be returned to the SDC.

The use of financial market-oriented instruments is generally associated with long contractual terms (of 10, 15 or 20 years) to maximise their effect. The SDC approach to project phases therefore requires careful long-term planning and the corresponding exit strategies right at the beginning of the project.

¹ Principle: loans to implementation partners are not capitalised in the federal government balance sheet, as they represent direct investments with no intrinsic value. They are written off as investment amounts directly via transfer costs.



II. Glossary

Term	Definition
Consortium	A consortium is an association of several legally and financially independent companies, formed for a specific period to pursue a common purpose.
Coordination funds	Coordination funds (SOR Parts 1-3) are created because they are directly related to the project and are necessary for its coordination, or project management. The key factors in each case are the approved functions and their terms of reference, in accordance with the technical offer or agreed project document. Coordination funds correspond to the total procurement-related price of outputs awarded as the result of tendering or invitation procedures, or directly.
Logframe	Logframe is short for logical framework. It is a planning tool consisting of a matrix that gives an overview of the objective, activities and expected outcomes of a project. It provides a structure in which to specify a project's components and activities, and show how they relate to each other.
Project costs	Project costs are the financial resources deployed or used to provide a project output. They can be divided into direct and indirect costs.
Project funds	Project funds managed on a fiduciary basis are funds made available to the contractor to implement the project, in other words for output mandates still to be awarded as part of implementation work. The contractor must abide by Swiss procurement law when purchasing services, goods and construction work with project funds. These expenditures are not part of the total procurement-related price.
Subcontractors	Subcontractors are companies or individuals engaged by a general contractor to complete specific tasks or services in relation to a project or contract. These subcontractors may operate in a variety of sectors, from construction firms to service-providers, and are generally selected because they provide specialist capabilities or resources needed to fulfil the principal mandate. The general contractor remains responsible for overall project implementation and coordinates the subcontractors' work.



III. List of abbreviations and acronyms

Abbreviation	Definition
GCB	General Conditions of Business for Project Implementation Mandates
FA IC	Federal Act on International Development Cooperation and Humanitarian Aid (AS 1977 1352)
PPA	Federal Act on Public Procurement (PPA, 172.056.1)
SDC	Swiss Agency for Development and Cooperation
FDFA	Federal Department of Foreign Affairs
SFAO	Swiss Federal Audit Office
FFA	Federal Finance Administration
CEP	Competence Centre for Engagement with the Private Sector
Logframe	Logical framework. A planning tool used to set and prioritise objectives
NGO	Non-governmental organisation
MPI	Mandate for Project Implementation
ProDoc	Project/programme documentation
PSE	Private Sector Engagement
PSE HB	SDC Handbook on Private Sector Engagement
QSiD	Quality Assurance and Internal Digitalisation
SOR	Service-oriented remuneration
SubA	Federal Act of 5 October 1990 on Financial Assistance and Subsidies (Subsidies Act, SR 616.1)
CPC	Contracts, Procurement, Compliance