



**OCHA**

United Nations Office  
for the Coordination of  
Humanitarian Affairs

# **Operational Handbook for Country-based Pooled Funds**

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The mission of the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) is to mobilize and coordinate effective and principled humanitarian action in partnership with national and international actors.

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## Acronyms

AA	Administrative Agent
AAP	Accountability to Affected Populations
AB	Advisory Board
BOA	Board of Auditors
CAAP	Commitments to Accountability to Affected Populations
CBPFs	Country-based Pooled Funds
CERF	Central Emergency Response Fund
CHAP	Common Humanitarian Action Plan
CHF	Common Humanitarian Fund
CN	Concept Note
CRD	Coordination and Response Division
CV	Curriculum Vitae
PRMB	Partnerships and Resource Mobilization Branch
DSA	Daily Subsistence Allowance
ERC	Emergency Relief Coordinator
FCS	Funding Coordination Section
FTS	Financial Tracking Service
GBV	Gender-Based Violence
GMS	Grant Management System
HC	Humanitarian Coordinator
HCT	Humanitarian Country Team
HFU	Humanitarian Financing Unit
HoO	Head of Office
HPC	Humanitarian Programme Cycle
HRP	Humanitarian Response Plan
IASC	Inter-Agency Standing Committee
ICCG	Inter-Cluster Coordination Group
ICCT	Inter-Cluster Coordination Team
IEHK	Interagency Emergency Health Kit
IOM	International Organization for Migration
IT	Information Technology
LTA	Long-Term Agreement
MA	Managing Agent
M&E	Monitoring and Evaluation
M&R	Monitoring and Reporting
MOU	Memorandum of Understanding
MPTF	Multi-Partner Trust Fund Office
NCE	No-Cost Extension
NGO	Non-Governmental Organization
OCHA	Office for the Coordination of Humanitarian Affairs
OCT	OCHA Contribution Tracking System
OIOS	Office of Internal Oversight Services
PEP	Post-exposure Prophylaxis kits
PFWG	Pooled Fund Working Group
PI	Performance Index
PP	Project Proposal
PSC	Programme Support Costs
PUNO	Participating United Nations Organization
RC	Review Committee
SAA	Standard Administrative Arrangement
SLT	Senior Leadership Team
SOP	Standard Operating Procedure
SRC	Strategic Review Committee
TOR	Terms of Reference

UN United Nations  
TRC Technical Review Committee  
UNDP United Nations Development Programme

# 1. Introduction

## 1.1 Introduction

1. Country-based Pooled Funds (CBPFs) are multi-donor humanitarian financing instruments established by the Emergency Relief Coordinator (ERC) and managed by the UN Office for the Coordination of Humanitarian Affairs (OCHA) at the country level under the leadership of the Humanitarian Coordinator (HC). While OCHA has managed humanitarian pooled funds at the country level since 1995, CBPFs are rooted in the 2005 Humanitarian Reform and the Secretary-General's report "In larger freedom"<sup>1</sup>, which calls for predictable and flexible humanitarian funding to meet the needs of vulnerable communities.
2. CBPFs are critical tools to support the delivery of the OCHA's humanitarian coordination mandate. They receive un-earmarked funding from donors and allocate it in response to priority humanitarian needs through joint planning and an inclusive and field-driven decision-making process. OCHA's approach to the management of CBPFs is anchored in the principles of the Inter-Agency Standing Committee (IASC) Transformative Agenda, which stresses the importance of providing predictable, timely and consistent resources towards principled humanitarian action. This approach is reinforced in the 2014-17 OCHA Strategic Framework, which highlights the role of CBPFs in promoting timely and un-earmarked funding allocated based on priority needs. The Strategic Framework calls for the use of CBPFs to enhance coordination and complementarity among humanitarian financing mechanisms. CBPFs promote diversity and partnership by supporting a variety of humanitarian actors, including national NGOs, with the resources they need to contribute to humanitarian response operations, and by engaging them in the governance and management of CBPFs.
3. CBPFs promote coordinated humanitarian response through their close alignment to the Humanitarian Programme Cycle (HPC)<sup>2</sup>. Harmonized CBPF processes and tools aim at making the mechanisms more effective and efficient in supporting the implementation of the Humanitarian Response Plans (HRPs).
4. CBPFs also enhance resource mobilization efforts and make more resources available for humanitarian response activities prioritized under the HRP.
5. The CBPF Operational Handbook (hereinafter referred to as the Handbook) sets the minimum global standards for effective and efficient management of CBPFs. The Handbook responds to the need for standardized management arrangements and builds upon the vast experience gained by OCHA over the years in managing CBPFs in different country contexts<sup>3</sup>.

## 1.2 Purpose and scope of the Handbook

6. The purpose of the Handbook is to ensure a coherent approach to the strategic and operational management of all CBPFs. The Handbook defines management arrangements that enhance quality and accountability to UN Member States, donors, beneficiaries, and humanitarian partners, including those receiving CBPF grants.
7. The Handbook elaborates the OCHA Policy Instruction on CBPFs<sup>4</sup>, which describes the objectives,

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<sup>1</sup> UN General Assembly, In larger freedom: towards development, security and human rights for all: report of the Secretary-General, 21 March 2005, A/59/2005.

<sup>2</sup> The HPC, whose tools help the humanitarian community design a collective response, guides and enhances the action of CBPFs. Coordinated needs assessments, for example, feed into the design of Humanitarian Response Plans (HRPs) which, in turn, shape the priorities supported by CBPFs and link them to the activities prioritized by the humanitarian community. Projects funded by CBPFs support the delivery of HRPs by contributing to their collectively agreed objectives and indicators.

<sup>3</sup> Reference to 1) Audit of OCHA's Trust Fund for Disaster Relief 2012, 2) BoA (biennium ended 31 December 2011), 3) Global CHF Evaluation 2010, 4) Global External Evaluation of Emergency Response Funds, Universalis, 2013.

<sup>4</sup> Policy Instruction on OCHA-Managed Country-Based Pooled Funds.

management and governance arrangements for all OCHA-managed CBPFs. The Handbook contains a set of annexes developed to guide and support OCHA Country Offices in the management of CBPFs.

8. The primary audience for this Handbook are OCHA Country Offices and, in particular, the Humanitarian Financing Units (HFUs) that support and administer the CBPFs. The Handbook provides a set of processes and tools to provide guidance in the management of CBPFs and serve as minimum standards. OCHA Country Offices should build upon these minimum standards to ensure that the use and management of each fund meet the requirements of their context in which they are used.
9. The Handbook describes the roles and responsibilities of Humanitarian Coordinators (HCs), OCHA, UN agencies, non-governmental organizations (NGOs)<sup>5</sup>, clusters and other stakeholders when engaging in the operation of CBPFs.
10. CBPFs are humanitarian financing instruments managed at the country level. They operate in different contexts and respond to a broad range of crises. CBPFs should be therefore flexible and adapted to local contexts.
11. This Handbook presents additional technical guidance, processes and tools that must be adopted by each CBPF as minimum standards. While funds are required to comply with this Handbook, they retain the flexibility to build upon the requirements and adopt additional mechanisms that allow better responsiveness to each country context.<sup>6</sup>
12. The processes and procedures described in Chapters 2, 3 and 4 should be further spelled out in a country specific "Operational Manual" (Annex 19, CBPF Operational Manual) prepared for each CBPF. While the minimum parameters described in this Handbook must be adhered to, each CBPF has to define the specific arrangements necessary to work in a given country context. This includes membership of governance bodies; specific steps in the allocation process; and the accountability framework, including procedures for capacity assessment, risk management and monitoring.
13. This Handbook is subject to periodic reviews. An assessment of the implementation of the Handbook will be carried out in 2016. In order to allow for flexibility and efficiency in the management of CBPFs, the annexed templates can be modified more frequently should this be deemed necessary.

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<sup>5</sup> Organizations of the Red Cross/Red Crescent movement can access funding under CBPFs. Their applications for funding are handled in the same manner as NGOs (capacity assessments, evaluations, etc.)

<sup>6</sup> CBPFs for which OCHA uses a service provider to manage contractual relations with NGOs should ensure that management practices are aligned with this Handbook.

## 2. Establishment, closure and governance of Country-based Pooled Funds

### 2.1 Establishing and closing Country-based Pooled Funds (CBPFs)

#### 2.1.1 Establishing a CBPF

14. CBPFs are established by the Emergency Relief Coordinator (ERC) at the request of the Humanitarian Coordinator (HC) and in consultation with the humanitarian community, when it is demonstrated that a CBPF can bring added value to the delivery of humanitarian operations.
15. The paragraphs below outline the steps to be taken when considering establishing a CBPF.

#### Assessment of the need for a CBPF

16. The decision to establish a CBPF follows a field-driven process, led by the HC and supported by the OCHA Country Office, which seeks to build consensus within the humanitarian community and assess the utility of a CBPF. OCHA's Coordination and Response Division (CRD) and Funding Coordination Section (FCS) support the HC and OCHA Country Office in this regard from headquarters level<sup>7</sup>. The following criteria need to be met for a CBPF to be considered:
  - i. Existence of Humanitarian Response Plan (HRP) or similar humanitarian planning framework.
  - ii. Indication of donor commitment, both at the country and capital level.
  - iii. Sufficient support structures at country level to manage a CBPF. This is mainly related to i) OCHA's capacity (OCHA's presence is required), and ii) capacity and commitment of existing coordination structures (clusters or sectors).
  - iv. Presence of, and buy-in from, potential implementing partners in-country with capacity to deliver humanitarian assistance.

#### Decision to establish a CBPF

17. If it is determined that a CBPF should be established:
  - i. A concept note is developed by the OCHA Country Office in consultation with CRD and FCS and submitted to the HC. The concept note should include the following:
    - a. Rationale for establishing a CBPF.
    - b. Proposed CBPF objectives, programmatic focus and link to the HRP.
    - c. Intended size of the proposed fund, with direct reference to donor commitments.
    - d. An initial indication of the country-level governance and management arrangements in line with the Handbook.
    - e. Existing staff capacity together with any additional capacity and staffing requirements.
    - f. An action plan describing the steps to be taken from approval to establish a CBPF to the first allocation.
    - g. An initial analysis of risks, including mitigation strategies, associated with establishing and running a CBPF in the country.
    - h. The identification of criteria for the possible deactivation of the proposed fund.
  - ii. The HC submits the note with the ERC
  - iii. The ERC, in consultation with the CBPF Governance Board ([see below](#)) at OCHA Headquarters, will make a final decision on the establishment of the CBPF and inform the HC in writing.
  - iv. OCHA informs key stakeholders, including donors both at the country and capital level, as required.

#### Legal establishment of a CBPF

18. The OCHA Country Office is responsible for initiating the legal establishment of the CBPF on behalf of the HC. The steps involved depend on what entity receives and manages donor contributions<sup>8</sup>.

<sup>7</sup> CRD and FCS may conduct a scoping mission at the request of the HC to determine the viability of a CBPF.

<sup>8</sup> For those cases where the Multi Partner Trust Fund Office is responsible for administering the CBPF, Terms of Reference, Memorandum of Understanding and Standard Administrative Arrangement have to be drafted (see Annex 27, 28 and 29).

19. When OCHA receives and manages donor contributions, the following steps are undertaken:
- i. FCS Finance Unit requests that a project code for the new CBPF is created under the Country Trust Fund account code to receive donor contributions.
  - ii. Once the fund has been formally established, the OCHA Country Office drafts the Operational Manual (Annex 19, CBPF Operational Manual) of the fund. The HC approves the Operational Manual. The Manual should include the following elements and should be based on the minimum standards contained in the Handbook:
    - Fund scope and objectives.
    - Governance structures and membership.
    - Programmatic focus.
    - Allocation modalities and related processes.
    - Accountability mechanisms and operational modalities.
20. Following the formal establishment of the CBPF, the following steps should be carried out:
- i. Establish the management structure at country-level and ensure that appropriate capacity and expertise are available.
  - ii. Establish the Advisory Board ([see below](#)) and Review Committees ([see below](#)).
  - iii. Familiarize the humanitarian community with the processes and requirements of CBPFs. Provide coaching to prospective implementing partners, clusters, and other stakeholders, as required.
  - iv. Initiate the due diligence and capacity assessment processes adapted to the fund based on the available options ([see below](#)) described in this Handbook.
  - v. Expedite resource mobilization ([see below](#)) activities to raise awareness and attract additional donors.
  - vi. Develop CBPF website on OCHA's corporate domain.
  - vii. Configure and activate the Grant Management System (GMS – [see below](#)) and organize necessary trainings and orientation sessions.

### 2.1.2 Closing a CBPF

21. The decision to close a CBPF is independently taken by the ERC or upon recommendation from the HC.

#### Assessment of the need to close a CBPF

22. The decision to close a CBPF should be based upon the acknowledgement that the rationale and conditions justifying its creation are no longer valid. Factors that could determine the need to close a CBPF include:
- a. Managerial and contextual:
    - The country is moving into a recovery phase and is no longer considered a humanitarian emergency.
    - The HRP or equivalent humanitarian planning framework is discontinued.
    - The OCHA Country Office is closing.
    - The HC function no longer exists.
  - b. Financial:
    - Insufficient donor commitment.
    - Only one contributing donor for two consecutive years.
  - c. Programmatic:

- Fund objectives are no longer relevant.
- The fund is systematically used for interventions not included in the HRP.
- The fund allocation rate is low (e.g. no new projects funded for six months; allocations are not in proportion to the remaining balance in the fund).

### *Process to close a CBPF*

23. The closure process can be initiated by the HC, OCHA Country Office or the ERC.
24. When the process is initiated by the ERC, a consultation with the HC and the Governance Board ([see below](#)) will take place.
25. When the closure process is initiated by the HC, a formal request for the closure of the fund should be sent to the ERC through the Governance Board. A detailed plan for the closure should accompany the request.
26. When an OCHA Country Office where a CBPF is active is due to close, the process for closing the Fund should be initiated at least one year before the scheduled closing date of the Office.
27. The final decision about closing a CBPF remains under the authority of the ERC. See § 21.
28. Once the ERC decision of closing a Fund is communicated to the HC, the HC will initiate the closure process supported by the OCHA Country Office. The HC will engage the Advisory Board (AB) ([see below](#)) to develop a formal exit strategy. Key stakeholders, including the Humanitarian Country Team (HCT), donors, implementing partners and the Government (if relevant) will be informed.
29. The closure plan should include sufficient time to ensure proper programmatic, administrative and financial closure of all CBPF-funded projects. The plan should be communicated to all relevant stakeholders at the field level. Contributing donors are notified and all fundraising activities are discontinued. The OCHA Head of Office (HoO) should estimate and plan for any financial costs associated with closure.
30. No allocation to new projects should be made once the decision of closing a fund has been made.
31. The following steps should be followed for a timely closure process:
  - i. Determine the calendar date beyond which donor contributions will not be accepted and additional allocations by the fund will not be made.
  - ii. Plan for collecting all outstanding financial and narrative reports for CBPF-funded projects.
  - iii. Ensure that necessary audits are initiated; final reports are received, reviewed and finalized within the timeframe of the plan.
  - iv. Ensure that outstanding refunds are received from implementing partners.
  - v. OCHA headquarters informs contributing donors of any remaining balances and negotiate how the funds should be used.
  - vi. The HC, with support from the OCHA Country Office, prepares and submits a final report to the CBPF Governance Board. FCS ensures further dissemination to key stakeholders.

## **2.2 Governance**

### **2.2.1 Global Governance**

- **UN Emergency Relief Coordinator (ERC)**

32. The ERC holds authority over and is accountable for all CBPFs. The ERC monitors the performance of each fund and makes decisions on their establishment, re-organization and closure.

- **CBPF Governance Board**

33. The Governance Board oversees the management of all CBPFs, providing advice to the ERC on key decisions pertaining to the CBPF. The CBPF Governance Board is composed of the ERC as chair, and the members of OCHA's Senior Leadership Team (SLT). The Governance Board ensures that all CBPFs are efficiently and effectively managed in compliance with existing corporate policies and standards as described in the Handbook.
34. The Governance Board provides advice on the establishment and closure of CBPFs, or when major adjustments are required for existing funds.
35. OCHA FCS acts as the Secretariat to the CBPF Governance Board and maintains information required for the Board to effectively address issues and make recommendations to the ERC. FCS is the focal point and responsible for policy, operational (both administrative and financial) and programmatic issues related to the management of CBPFs. FCS supports OCHA's Country Offices in the establishment, management and closing of CBPFs.

## 2.2.2 Local Governance

- **Humanitarian Coordinator (HC)**

36. The HC acts as the custodian of the CBPF on behalf of the ERC. The HC decides the strategy for the use of the fund, and ensures that the fund is delivering on its key objectives and is managed in accordance with this Handbook. The HC is supported by an Advisory Board (AB) which advises the HC on the allocation of funds and other strategic issues.
37. The HC's responsibilities in managing the CBPF shall be explicitly stated in the HC Compact with the ERC. The HC is specifically responsible for:
  - i. Leading the process at country level of establishing and closing of the CBPF.
  - ii. Approving the CBPF Operational Manual, which outlines the fund's scope and objectives, programmatic focus, governance structures and membership, allocation modalities and processes, accountability mechanisms and operational modalities.
  - iii. Chairing the AB and providing strategic direction for the CBPF.
  - iv. Leading country-level resource mobilization for the fund supported by the Humanitarian Country Team (HCT), OCHA Country Office and in coordination with relevant OCHA entities at headquarters.
  - v. Approving the use of and defining the strategic focus and amounts of fund allocations.
  - vi. Ensuring that the AB and the review committee(s) are functioning in accordance with the guidelines outlined in the Handbook.
  - vii. Making final decisions on projects recommended for funding. This responsibility is exclusive to the HC and cannot be delegated. Funding decisions can be made at the discretion of the HC, without a recommendation from the AB, for circumstances which require an immediate response. In addition, the HC has the authority to overrule recommendations from the review committee(s).
  - viii. Approving projects and initiating disbursements.
  - ix. Ensuring complementary use of CBPF funding with other funding sources, including the Central Emergency Response Fund (CERF).

- **Advisory Board**

### Background and Purpose

38. The Advisory Board (AB) supports the HC in developing an overall strategy and overseeing the performance of the CBPF. The AB is consulted on key aspects of the management and strategic direction of the CBPF, including allocation strategies, resource mobilization and any other major

decision taken by the HC related to the fund. The AB also reviews direct costs of the fund<sup>9</sup> prior to HC approval.

#### Main Functions and Focus

39. The AB plays a consultative role and has responsibilities in four key areas:
- i. *Strategic focus:* The AB should support the HC in ensuring that the main objectives of the fund are met. The AB should review and advise the HC on strategic elements of the fund such as the allocation strategies, the operational manual and project selection. The scope and objectives of the CBPF, outlined in the operational manual, will be reviewed at least once a year. The AB shall advise the HC in setting funding targets and support resource mobilization efforts.
  - ii. *Risk Management:* The AB supports the HC and the OCHA Country Office in undertaking periodic risk analyses and reviewing a risk management plan of the fund in accordance with the Risk Management Framework (see Annex 25, Risk Management Framework).
  - iii. *Transparency of overall process:* The AB should monitor the fund processes with the objective of ensuring that all stakeholders are treated fairly and that the management of the fund abides by established policies.
  - iv. *Review of operational activities:* The AB monitors the operational performance of the fund, providing advice to the HC.

#### Membership

40. The composition of the AB is determined by the HC in consultation with the Humanitarian Country Team (HCT), contributing donors and NGOs. Composition of the AB should ensure equitable representation of the key stakeholders to the fund (donors, UN agencies, NGOs and OCHA). Government representation on the AB may be considered, depending on the country context. Adding AB members with observer status, including non-contributing donors, is encouraged. This increases the transparency of the AB decision-making process and improves the overall coordination of humanitarian response and aid flows. The size of the AB should be such as to enable efficient decision-making.
41. AB members are nominated by their constituencies, listed below, and endorsed by the HC. Member representation should be as equitable as possible. The Chair may invite additional representatives of the HCT and other stakeholders, if required.
- i. **Chair:** The HC chairs and convenes AB meetings. The OCHA HoO is part of the AB and represents OCHA, although not in the capacity as fund manager.
  - ii. **Donors:** Contributors to CBPF. (Non-contributing donors may be included in the AB as observers.)
  - iii. **UN Agencies/IOM:** UN agencies and the International Organization for Migration (IOM).
  - iv. **NGOs:** National and international NGOs
  - v. **AB Secretariat:** OCHA, through the Humanitarian Financing Unit of the Country Office.
42. AB membership should rotate on a regular basis. The HC and the OCHA HoO are the only permanent members. AB members should be at the senior leadership level (head of agency, etc.). To ensure continuity, the replacement of AB members is staggered. Board members serve as technical or strategic experts from their constituencies or stakeholder groups and do not represent the interests of their organizations or broader constituencies. Board members make a commitment to attend all meetings and to be fully engaged in all tasks required by the AB.

#### Frequency of Meetings

43. The AB meets at least twice a year. A higher frequency and/or *ad hoc* meetings may be requested by the HC as s/he deems necessary.

<sup>9</sup> E.g.: annual budget of the Humanitarian Financing Unit (HFU); monitoring costs; capacity assessments (where relevant); etc.

- **Review Committees (Strategic and Technical)**

44. CBPF allocations include two types of project review: 1) a strategic review ([see below](#)) of project proposals in relation to the Allocation Paper determined by the HC and the Advisory Board ([see below](#)) or in relation to the fund scope and objectives as outlined in the Operational Manual, and 2) a technical review ([see below](#)) which assesses the technical soundness and quality of project proposals.
45. The strategic and technical reviews are discharged by respective review committees operating separately by sector/cluster.
46. Review committees should be established through a consultative process with a limited number of cluster members. The review committees should, to the extent possible, have different compositions for each of their functions.
47. When delivering the strategic function, the respective review committee should equitably represent the members of the cluster and be knowledgeable of humanitarian operations. When delivering the technical function, the respective review committee should be composed of a small group of technical experts to review project proposals.
48. Members of the review committee involved in the technical review should be selected based on demonstrated technical knowledge of the specific sector/cluster. A small group of experts will allow for detailed deliberation on technical aspects of project proposals. Specialized advisors should provide support and inputs to the technical review process.
49. The function of the review committees involved in the strategic review of projects can be complemented or replaced by a single committee grouping different stakeholders' representatives (a representative sample of UN Agencies and NGOs, normally referred to as a review board) when this arrangement better suits the context in which the fund operates. While performing this function, the review board uses the same tools and delivers the same function as a review committee.
50. Members of the respective review committees should be nominated from the active members of the relevant sectors/clusters. The committees should ensure an equitable representation of UN and NGOs. To the extent possible, OCHA will support review committees in discharging their functions.

### 2.2.3 Management

- **OCHA Head of Office (HoO)**

51. The OCHA HoO oversees the operation of the fund to support the HC. As such, the HoO is responsible for the effective management of the fund according to CBPF Policy Instruction and the Handbook.
52. The HoO responsibilities with respect to the CBPF are to:
  - i. Support and advise the HC on strategic issues and resource mobilization.
  - ii. Supervise the OCHA Humanitarian Financing Unit (HFU) and ensure that the HFU is well integrated and coordinated with other units of the OCHA Country Office and sub-offices.
  - iii. Ensure that OCHA has the capacity to fulfill its accountability requirements, including risk management and minimum operational modalities (as described in Chapter 4).
  - iv. Promote active involvement of existing coordination structures in CBPF processes and ensure that CBPF scope and objectives (as outlined in the Operational Manual) and/or Allocation Papers are aligned with the HRP.
  - v. Approve project no-cost extensions within the scope of the delegation of authority granted by

the HC<sup>10</sup>.

- vi. Interface with headquarters on policy issues related to the CBPF.
- vii. Act as a permanent member of the Advisory Board.

- **Humanitarian Financing Unit (HFU)**

53. The HFUs<sup>11</sup> responsible for the daily management of all programmatic and financial aspects of the CBPF on behalf of the HC and under the supervision of the OCHA HoO, in coordination with FCS. The OCHA HFU executes HC decisions and organizes the process of allocating funds according to the Handbook and corresponding Operational Manual. The HFU supports the OCHA Country Office in providing funding analysis on various aspects of the humanitarian operation. This includes support to the HRP process and processing of CERF grants. The three main functions of the HFU are summarized as follows:

- i. Management of CBPF operations and policy advice to the HC and OCHA HoO.
- ii. CBPF Project Cycle Management.
- iii. Implementation of the CBPF Accountability Framework

#### Staffing of the HFU

54. The workload of HFU is determined by several factors including: (i) the size of the fund; (ii) the number of projects funded each year; and (iii) existing coordination structures in the country. Other factors, such as the geographical size of the country, may also affect the relative workload.

55. Given the unpredictability of humanitarian operations, it is difficult to predetermine the fund management capacity needed over an extended period of time. Staffing of the HFU should be determined in proportion to requirements (e.g., the size of the fund, the number of projects funded, the complexity of the country context, etc.). This will also help to determine the seniority of staff necessary to manage the fund.

56. The following positions are considered the minimum standard to cover the three main functions of the HFU:

- i. Head of Unit
- ii. Monitoring and Reporting Officer
- iii. Finance Officer

57. Arrangements for covering costs incurred for managing a CBPF differs between funds. There are currently two modalities:

- The management cost of the HFU is a direct cost of the CBPF including the cost incurred by the entity contracting NGOs (if not OCHA)<sup>12</sup>. Each year, the head of HFU prepares a formal project proposal for the unit which is submitted for approval to the HC in consultation with the Advisory Board.
- The management cost of the HFU is covered as part of the regular OCHA Country Office cost plan.

#### Functions of the HFU

58. *Management of CBPF operations and policy advice to the HC:*

- i. Advise the HC and OCHA HoO on fund strategies and any other policy matters related to

<sup>10</sup> The HC can delegate to the HoO the approval of no-cost extensions only for modifications affecting the duration of a project.

<sup>11</sup> Where OCHA is not managing the contracting of NGOs it is recommended that a joint unit is created with the contracting entity. A joint HFU places all fund management functions into one unit, located in one physical space and under one leadership ensured by OCHA.

<sup>12</sup> OCHA SMT decision of October 2011, and USG Letter to OCHA Donor Support Group (ODSG) Ambassador, New York, 8 March 2012. The SMT decision also included a statement that OCHA cannot receive funding from CBPFs for its regular coordination activities as a measure to avoid conflict of interest.

- CBPFs.
  - ii. Facilitate the development of the CBPF scope and objectives and/or allocation paper.
  - iii. Provide oversight to the entire funding cycle from the launch of an allocation to closure of projects.
  - iv. Engage with CBPF donors and coordinate with other humanitarian donors in the country.
  - v. Draft the resource mobilization strategy and support its implementation in coordination with headquarters resource mobilization efforts.
  - vi. Support HC and HoO efforts to link the fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRPs.
  - vii. Support and promote partner compliance with CBPF procedures.
  - viii. Produce reports, analysis and other documents as necessary to support decision-making, coordination, communication and resource mobilization activities. These may include funding updates, monthly reports, fact sheets, talking points, key messages, mission briefing kits (e.g. for HC donor capital visits or HQ visits to the CBPF country).
  - ix. Promote the complementary use of the CBPF with funding from other sources, in particular the CERF.
  - x. Serve as secretariat for the AB.
59. *Management of CBPF operations and policy advice to the OCHA HoO and HC:*
- i. Facilitate the development of the CBPF scope and objectives, together with allocation papers.
  - ii. Provide oversight to the entire funding cycle from the opening of an allocation to closure of projects.
  - iii. Engage in coordination with CBPF donors and other humanitarian donors in the country.
  - iv. Draft the resource mobilization strategy and support its implementation making sure to coordinate resource mobilization efforts with headquarters.
  - v. Support HC and HoO efforts to link the fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRPs.
  - vi. Support and promote partner compliance with CBPF procedures.
  - vii. Produce reports, analysis and other documents as necessary to support decision-making, communication and resource mobilization activities.
  - viii. Serve as the secretariat to the Advisory Board.
  - ix. Facilitate public information sharing with all stakeholders.
60. *Project Cycle Management:*
- i. Facilitate and train stakeholders on the use of the Grant Management System (GMS).
  - ii. Ensure compliance with processes, systems, templates and tools for CBPF defined in the Handbook.
  - iii. Provide support to all CBPF recipients throughout the allocation process and promote a feedback system for continuous learning.
  - iv. Coordinate and facilitate all activities associated with the strategic review (project prioritization).
  - v. Coordinate and facilitate all activities associated with the technical review.
  - vi. Ensure follow up of fund disbursement and refunding.
  - vii. Ensure narrative and financial reporting compliance.
  - viii. Manage project revision requests (e.g. follow-up and support on budget revision, reprogramming, no-cost extensions, etc.).
  - ix. Ensure Financial Tracking Service (FTS) reporting as required (see Annex 11, FTS reporting template).
61. *Implementation of the CBPF Accountability Framework:*
- i. Support and advise the HC and OCHA HoO in the development and implementation of the Accountability Framework.

- ii. Coordinate and facilitate capacity and performance assessments, risk management, monitoring, and reporting.
- iii. Ensure compliance with the minimum requirements described in the operational modalities of the Handbook.
- iv. Ensure compliance with audit requirements and follow up recommendations stemming from audits and monitoring findings.
- v. Prepare the CBPF annual report (see Annex 23, Annual Reporting template).

#### 2.2.4 Stakeholders

- **Clusters**<sup>13</sup>

62. Cluster lead agencies support CBPFs at two levels: (i) at a *strategic level*, cluster leads should ensure that there are linkages between the fund, the HRP and cluster strategies; and (ii) at an *operational level*, cluster coordinators should provide technical expertise to the process of project prioritization and to the technical review of projects.
63. Clusters operate according to the terms of reference agreed by the IASC and the Reference Module for Cluster Coordination at the Country Level. These documents contain few references to the operation of CBPFs, but acknowledge that inter-cluster groups have a key role to play in prioritization and in providing recommendations for resource mobilization of the humanitarian operation as a whole.
64. To better ensure that the funds are used coherently and effectively to support humanitarian needs identified by the HC in consultation with the inter-cluster coordination, clusters shall be involved in a number of steps in the fund programme cycle as follows:
65. *Application:*
  - i. To the extent possible, proposals should be developed with programmatic guidance from the relevant cluster coordinator(s) before the applicant submits them to the fund.
66. *Strategic and technical review of projects:*
  - i. Cluster coordinators ensure that the strategic review of projects is carried out as agreed.
  - ii. Cluster coordinators contribute to the technical review of project proposals.
  - iii. Cluster coordinators promote the systematic use of relevant standard indicators for projects.
67. *Monitoring and Reporting*
  - i. Clusters participate in field monitoring visits to support technical assessment of implemented projects according to the provisions of the accountability framework endorsed by the HC in each country.

- **Implementing partners**

68. CBPFs aspire to provide equitable opportunity to all humanitarian actors. CBPFs promote partnerships with humanitarian organizations to respond quickly and effectively to emergencies.
69. UN agencies, IOM, international and national non-governmental organizations, and organizations of the Red Cross/Red Crescent movement, can apply for and receive funding from CBPFs.
70. International and national NGOs must undergo the capacity assessment process (described in Chapter 4) to become eligible to receive funding from CBPFs. All UN agencies and IOM are eligible to receive funding.

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<sup>13</sup> Sectors will be used in cases where there are no clusters.

71. In relation to the CBPFs, implementing partners have the following responsibilities:
72. *Application:*
- i. Implementing partners must familiarize themselves with CBPF processes and seek advice from the OCHA Country Office (i.e. HFU) before applying for funding.
  - ii. In close collaboration with the OCHA Country Office and clusters, the applicant partner develops and submits a project proposal and budget to the Fund (through the GMS) providing all necessary supporting documents, within the given deadlines, and in a responsive manner.
73. *Implementation:*
- i. After the approval process, the implementing partner signs a grant agreement<sup>14</sup> which specifies the terms and conditions applicable to the approved project. Implementing partners commit to comply with all the requirements defined in the grant agreement. Grant agreements may be modified to accommodate necessary changes in projects.
74. *Monitoring:*
- i. All CBPF grantees must have robust internal monitoring and reporting procedures in place. Implementing partners shall facilitate the monitoring of the projects in collaboration with the OCHA Country Office, cluster coordinators and other relevant parties, as described in Chapter 4. The OCHA Country Office and headquarters reserve the right to organize visits with partners, external experts or donors to review completed or on-going project activities.
75. *Reporting:*
- i. The partner shall provide narrative and financial reports in line with the reporting requirements stipulated in the grant agreement or otherwise agreed in the accountability framework of the fund. In addition, any constraints (e.g. financial, logistical, security) that will lead to significant changes to the project must be communicated to the HC and/or OCHA immediately.

### 2.3 Resource Mobilization

76. The HC is responsible for setting - and reviewing thereafter - the fundraising target for the fund with support from the OCHA Country Office and advice from the Advisory Board.
77. The fundraising target is construed as the planning amount required to achieve the objectives of the fund within a 12-month period. This amount can be estimated on the basis of evidence and analysis produced for the formulation of the HRP.
78. Although there is no specific time of the year for setting or reviewing the fundraising target, it is critical that the HC plans to complete this exercise in time for the main potential donors to advise their capitals with sufficient anticipation on funding decisions. Similarly, alignment with the timing of broader resource mobilization efforts for the HPC should be considered.
79. The HC will seek advice from the Advisory Board, especially to assess the risk and potential consequences of the fund not reaching the envisioned fundraising target. Concomitantly, the HC may consider the views of other members of the humanitarian community in country, explore preliminary donors' interest to contribute, and factor in any other available sources of funding and/or humanitarian financing mechanisms.
80. The Country Office, on behalf of the HC, will engage the OCHA Partnerships and Resource Mobilization Branch (PRMB) in this exercise as needed, and ensure that PRMB is informed of the fundraising target before it is formally communicated to the donor community. Among others, PRMB can (i) assist by reinforcing HC messaging with donor counterparts at the global level to help crystalize donor support; (ii) advise on other fundraising opportunities that might be pursued to reach

<sup>14</sup> For funds managed with the support of the United Nations Development Programme (UNDP) Multi Partner Trust Funds Office, UN agencies have already signed an MoU with UNDP and only have to sign a project document.

the fundraising target; and (iii) give guidance from a global perspective on the viability of the fundraising target in light of trends, forecasts and priorities underpinning humanitarian financing and, in particular, donor support to other CBPFs.

81. In sum, the fundraising target should be: realistic (i.e. driven by objectives); objective (i.e. evidence-based); reasonable (i.e. likely to gain donor interest and support); and communicated in a timely manner.
82. Once estimated, the fundraising target becomes the nexus of all subsequent resource mobilization efforts for the fund, which should be outlined in the fund's resource mobilization strategy.
83. The resource mobilization strategy will be developed by the Country Office to provide systematic support to the HC in leveraging, maintaining and securing sufficient and predictable contributions to the fund. The resource mobilization strategy is a set of actions that can be organized and planned around the following pillars and indicative activities:
  - a. Analysis: Setting the fundraising target, and understanding and mapping donor interest, policies and priorities.
  - b. Messaging and communication: Developing key messages for general advocacy for the fund; managing correspondence with donors to seek and maintain their support; providing guidance to donors on how to contribute.
  - c. Donor outreach and engagement: Maintaining periodic dialogue mechanisms with donors on the Fund such as regular (i.e. quarterly) briefings; organizing field visits with donors to project sites; including the fund in Member States briefings organized at the headquarters level and participating in relevant global forums such as the Pooled Fund Working Group (PFWG) biannual meetings.
  - d. Reporting and public information: Keeping updated and relevant information on the fund's website; producing and disseminating periodic bulletins, fact sheets or similar products of high quality that provide brief overviews and highlights of the fund, including reflecting the perspective of partners and beneficiaries; producing and disseminating the fund's annual report and complying with donors' reporting requirements in general, as consigned in the contribution agreement.
84. The intent of a donor to contribute to a fund may be expressed to the HC or the Country Office at the country level or to relevant OCHA sections or officials at headquarters. It is, therefore, critical that information on potential contributions be shared in a timely manner between the field and headquarters to facilitate action and follow-up work. Specifically, PRMB will provide all substantive support and advice on the form and content of all contribution agreements before they are signed. PRMB will coordinate with FCS and any other relevant sections on this process. All pledges and contributions to CBPFs are recorded on the relevant online platforms.
85. The OCHA Country Office will assist the HC as required on all tasks related to resource mobilization for the Fund, including the preparation of all documents and material, and facilitating the development and implementation of the resource mobilization strategy.

### 3. Allocation modalities

86. CBPFs provide the HC with two modalities to allocate funds: 1) the standard allocation, and 2) the reserve allocation. The HC, in consultation with the AB, determines the appropriate use of the two modalities given the context.
87. Paid contributions and commitments (i.e. contributions for which the donor has made a commitment in writing) can be programmed for allocations. Donor contributions without a commitment in writing cannot be considered available for allocation purposes.
88. The paragraphs below describe the processes and workflows of the two allocation modalities. The steps and their sequence are mandatory. Country-specific approaches can be applied within the different steps.

#### 3.1 Standard Allocation

89. The standard allocation process represents the HC's mechanism for consulting with humanitarian partners to ensure the best possible use of available resources. A transparent process is essential for the fund to function properly. Transparency should be interpreted as the degree to which all relevant information is communicated to key stakeholders in a timely manner and whether allocation decisions can be documented and rationalized.
90. The process of the standard allocation is executed through a number of steps which are outlined below. The standard allocation begins with an Allocation paper (see Annex 18, Allocation paper). Projects funded through standard allocations should be implemented within a maximum of 12 months. Exceptions can be made by the HC when a longer duration is necessary to meet programmatic requirements. The grant ceilings are defined based on the partner risk level and project duration, as outlined in the Operational Modalities (see Chapter 4).

*Steps of the standard allocation process:*

1. Submission of projects
2. Strategic review
3. Preliminary approval
4. Technical and financial review
5. Final approval by HC
6. Disbursement

#### 1. Submission of projects:

##### 1.1. *Formulation of the allocation strategy*

91. Allocation strategies are developed based on the priorities of the HRP. The HC, supported by the HFU, should utilize existing coordination mechanisms to establish a process that produces credible and unbiased information to develop the strategy. The analysis that supports the development of the strategy should be evidence-based and with references to verifiable data. This process results in an allocation paper (Annex 18, Allocation Paper) which summarizes the analysis, strategy and intent of the standard allocation. The priorities of the allocation strategy should be as precise as possible to allow for effective prioritization by clusters. Efforts should be made to seek complementarity with existing funding channels, including the CERF when applicable (Annex 21, CERF-CBPF complementarity guidance note). The allocation paper includes information on:

- Humanitarian context with a focus on how the allocation fits into the context.
- Allocation strategy and related priorities.
- Total amount to be allocated (possibly further detailed by priority/cluster/sector/region to the maximum extent possible).
- Criteria for project prioritization (reflected in a prioritization matrix or "scorecard").
- Timeline.

The allocation paper (Annex 18, Allocation Paper) is a strategic document and should not include information on process other than the timeline. The country-specific interpretation of the workflow should be described in the CBPF country-specific Operational Manual<sup>15</sup>.

92. The development of the allocation paper should be supported by OCHA (Coordination Unit and HFU). The draft produced by OCHA is reviewed by the Inter-Cluster Coordination Group (ICCG) or similar coordination groups, and presented by the Humanitarian Coordinator (HC) to the Advisory Board (AB) for inputs. HFU collects inputs and finalizes the strategy.

### 1.2. *Submission:*

93. Eligible implementing partners prepare project submissions that address the priorities outlined in the allocation paper. CBPFs can request project concept notes or full project proposals. The practice of using concept notes is encouraged, particularly for large allocations as it will allow for a rapid strategic review. Project concept notes (or project proposals) are submitted for consideration by the fund through the GMS (see Annexes 30, Concept Note and 35, Project Proposal templates).

### 2. Strategic Review of projects:

94. This step of the process aims at identifying and prioritizing project proposals or concept notes considered best suited to address the needs identified in the allocation paper. The pre-selection of projects are intended to stimulate efficiency and allow for a rapid process that correctly targets identified needs. The strategic review stage applies to all standard allocations regardless of whether the submission of concept notes or full proposals was requested.

95. The review committee is responsible for the strategic review and selection of a shortlist of concept notes. Strategic review is carried out on the basis of criteria outlined in a prioritization matrix (scorecards), to be agreed before issuing the allocation paper. All CBPFs will apply standard prioritization matrixes with scoring in each of the following key areas: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination (see Annex 20, Scorecards for project prioritization). Within each standard category, specific criteria will be agreed upon by Clusters/sectors and OCHA. The same set of categories will be applied by all clusters/sectors. Whilst the standard categories and weighting are standard across all CBPFs, the specific criteria can be revised by clusters/sectors before each allocation.

### 3. Approval of shortlisted projects:

96. The list of shortlisted priority projects should be presented to the Advisory Board (AB) to allow AB members to raise any critical concerns, questions, alerts concerning risks and provide feedback. Countries may identify different consultative modalities for the submission of projects to the HC, ensuring a sufficient degree of inclusiveness and transparency. The chosen modality should be outlined in the country-specific Operational Manual. The following modalities can be considered:

- Cluster coordinators present the list of projects (concept notes or full proposals) to the HC and the Advisory Board. The presentation summarizes the expected outcomes/results of the recommended projects including the link to the priorities outlined in the allocation paper.
- A list of projects, vetted by the cluster coordinators, is submitted for consideration and approval to the HC. The AB is consulted and the HC makes the final decision.

97. Once the HC approves the shortlisted projects, partners will be informed and technical and financial review will commence. If concept notes were used for the strategic review, partners will have to submit full project proposals for the technical review.

<sup>15</sup> Information on the allocation process is documented in the Operational Manual.

#### 4. Technical and Financial Review:

98. The objective of the technical review process is to ensure that proposals are of the highest possible quality before final approval by the HC. The review committees are comprised of groups of technical experts, per sector/cluster, that review project proposals according to their technical merit and the appropriateness of budget provisions. Sufficient time and effort has to be dedicated to ensure that substandard projects are improved or rejected.
99. The technical review stage also includes financial review by OCHA Finance (OCHA HFU and OCHA Funding Coordination Section – Finance Unit)<sup>16</sup>. The financial review is part of the technical review, so that programmatic and financial feedback can be compiled by the HFU and shared with the applicant jointly.
100. The technical review process involves two-way communication between the review committee and the proposing organization. Implementing partners will be able to resubmit project proposals at the most two times upon receiving written comments through the technical review process. If not feasible to arrange a meeting to conduct the technical review, other options may be considered as long as the quality of the process is maintained. The Operational Manual of the fund will provide the necessary details of the type of chosen process.
101. The scoring system for the technical review is embedded in the GMS which allows for tracking of the process until final technical clearance.

#### 5. HC final approval

102. If the technical review recommends the project, the Humanitarian Coordinator will officially approve it. The HFU will facilitate the finalization of the contractual arrangements. The Advisory Board is informed that the project has been approved.
103. The HFU will liaise with the implementing partner to determine the start date of the project. The earliest possible start date of the project is the date of signature of the grant agreement by the partner. The agreed upon start date will be included in the grant agreement. If the signature of the grant agreement occurs after the agreed upon start date, the date of the signature of the grant agreement takes precedence. The HC can then sign the grant agreement<sup>17</sup>.
104. Upon signature by the HC, the HFU notifies the partner that the project has been approved, and sends the agreement for counter signature. Once the partner has countersigned, the agreement will be sent to OCHA FCS Finance Unit in New York for the final signature. Eligibility of expenditures will be determined by the date of partner signature of the grant agreement.
105. Consolidated information on allocation decisions is made available to all stakeholders.

#### 6. Disbursement<sup>18</sup>:

106. Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA headquarters), funds are disbursed within 10 working days.

<sup>16</sup> Or the relevant service provider.

<sup>17</sup> For those funds where OCHA is not directly contracting partners, the approval process may differ. The HC can sign the list of projects with UN agency implementing projects. The HC can then notify the implementing partners' contracting entity, which can then sign the contracts with the implementing partners.

<sup>18</sup> For those funds where OCHA is not directly transferring funds to implementing partners, the disbursement process and the time of disbursement may differ.

**Workflow for standard allocation**

<b>Step 1</b> Submission of projects	1.1 Formulation and launch of Allocation Strategy	* Clusters * OCHA * HC * AB
	1.2 Submission of concept notes or full project proposal	* Implementing partner
	1.3 General check by HFU (eligibility of partner in case of suspension, compliance with template, duplication of proposal, etc.)	* HFU
<b>Step 2</b> Strategic review	2.1 Review Committees use Scorecards for projects in their respective clusters/sectors. Where relevant, Review Board finalizes shortlist for recommendation to the HC	* Review Committees * HFU * CCs * RB (where applicable)
<b>Step 3</b> Preliminary approval	3.1 Projects shortlisted are submitted to the HC for approval (this step can happen together with the step below - 3.2 - as part of a meeting)	* HC * HFU
	3.2 Projects approved by HC are shared with AB for consultation (whilst simultaneously pushed forward for technical review or development of full proposal by partner). AB has 1 or 2 working days to object/comment	* AB * HFU
<b>Step 4</b> Technical and financial review	4.1 Partners are asked to prepare full proposals (if concept notes were initially requested)	* IPs
	4.2 Financial and technical review	* OCHA (HFU and FCS Finance Unit) * Review Committees * GenCap/Gender Advisor * ProCap
	4.3 Consolidation of financial and technical comments and submission to partner	* HFU
	4.4 Revision of proposal - max 3 times after which, if the project still does not meet quality standards, it is rejected	* IPs
<b>Step 5</b> Final approval by HC	5.1 HFU prepares draft Grant Agreement and decides start date in consultation with partner, and consequent reporting timeline	* HFU
	5.2 HC approves project and signs Grant Agreement; approved projects are shared with the AB for information	* HC
	5.3 Grant Agreement is shared with IP for counter-signature (date marks start of eligibility)	* IPs
	5.4 Grant Agreement is signed by OCHA EO	* OCHA FCS Finance Unit * OCHA ASB

<b>Step 6</b> Disbursement	6.1 Following OCHA EO signature, first tranche of funding is disbursed to the partner	* OCHA FCS Finance Unit
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### 3.2 Reserve Allocation

107. The reserve allocation is intended for rapid and flexible allocation of funds in the event of unforeseen circumstances, emergencies, or contextually relevant, systemic (pipelines, logistics, etc.) needs. Reserve allocations should be significantly quicker than the standard allocation process. Proposals can be accepted either on a rolling basis, and are considered on a first-come-first-served basis, or based on the HC decision to trigger a reserve allocation.
108. Some CBPFs use the reserve allocation as the main funding modality. In these cases, the fund is normally active and open to project proposals submitted on a rolling basis. The scope and the objectives defined in the Operational Manual outlines the sectors and geographical locations (normally identified by the HRP) that will be prioritized by the fund, as well as any additional criteria that will guide the selection process.
109. Other CBPFs use the standard allocation as the main modality. It is up to the HC to activate the reserve allocation to respond to emergency and/or unforeseen needs. In such cases, the HC maintains a certain amount of available funding for the reserve. No specific percentage is recommended, and the general principle should be that any funding that is not programmed through standard allocations could be allocated through the reserve in case of need. The decision to accept project proposals from the reserve rests with the HC. If addressing emergency needs, the AB will be consulted and decision of the HC will be made with 48 hours. The HC, under exceptional circumstances, can approve reserve allocations and notify the AB post factum.
110. The process of the reserve allocation is executed through a number of steps which are outlined below. Projects funded through reserve allocation should be implemented within a maximum of 12 months. Exceptions to this timeframe can be made by the HC based on prevailing circumstances. The grant ceilings are defined based on the partner risk level and project duration, as outlined by the Operational Modalities (see Chapter 4). The recommended minimum limit for reserve projects is US\$100,000, with exceptions to be determined by the HC

#### *Steps of the reserve allocation process:*

1. Submission of projects and review of strategic relevance
2. Technical and financial review
3. Final approval by HC
4. Disbursement

#### 1. Submission of projects and strategic review:

111. Eligible implementing partners can prepare project submissions that address the priorities outlined in the Operational Manual. These take the priorities of the HRP as the starting point and identify priority sectors/geographical locations/target populations that the fund will support. The Operational Manual should also outline other criteria that will be used to select projects for funding.
112. Projects can be submitted any time during the year, or when the HC activates the reserve allocation. Partners are required to submit full project proposals. Reserve allocations do not utilize project concept notes.
113. The proposal is shared with the relevant cluster coordinator who reviews it in collaboration with the HFU to ensure that it is in line with the HRP and the cluster strategy and objectives. The strategic review can be carried out by the cluster review committees, or the review board, where this is more appropriate to the country context. The review is carried out on the basis of criteria outlined in a prioritization matrix, to be developed at the same time as the fund's Operational Manual, and

reviewed on a regular basis in line with changes in the fund's programmatic priorities. All CBPFs will apply prioritization matrices with standard scoring in each of the following key areas: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination (see Annex 20, Scorecards for project prioritization). Within each standard category, specific criteria will be defined by clusters/sectors in agreement with OCHA. The same set of criteria will be applied by all clusters/sectors.

114. If the project is determined to warrant a Reserve allocation and be strategically relevant by the cluster review committee or the review board, the project will be submitted for technical and financial review and the partner duly informed. The project will be shared with the relevant cluster review committee and OCHA Finance, and the technical and financial review will commence.

## 2. Technical and financial review:

115. The objective of the technical review process remains the same as for the standard allocation<sup>4</sup> with the only difference being that the timeliness of the exercise is normally a critical element of the process.

116. The technical review of the reserve allocation maintains the two-way communication between the review committee and the proposing organization to ensure the improvement of projects. It should be possible for implementing partners to resubmit project proposals at least twice upon receiving written comments following technical review. If not feasible to arrange a meeting to conduct the technical review, other options may be considered as long as the quality of the process is maintained. The Operational Manual of the fund will provide the necessary details of the type of process chosen.

## 3. Final approval by the HC

117. Following the clearance of the technical review process the HC will officially approve the project. The HFU will facilitate the finalization of the contractual arrangements. The AB will be informed that the project has been approved. If the AB does not object within the given timeframe (24-48 hours), the proposal is considered approved. If the AB objects, the HC will have to take the final decision. The HC has the power to overrule the advice of the AB.

118. The HFU will liaise with the implementing partner to determine the start date of the project. The earliest possible start date of the project is the date of signature of the grant agreement by the partner. The agreed upon start date will be included in the grant agreement. If the signature of the grant agreement occurs after the agreed upon start date, the date of the signature of the grant agreement takes precedence. The HC can then sign the grant agreement<sup>19</sup>.

119. Upon HC's signature, the HFU notifies the partner that the project has been approved, and sends the agreement for counter signature. Once the partner has countersigned, the agreement will be sent to OCHA FCS Finance Unit in New York for the final signature. Eligibility of expenditures will be determined by the date of partner signature of the grant agreement.

120. Information on the allocation decision will be made available to all stakeholders.

## 7. Disbursement<sup>20</sup>:

121. Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA headquarters), funds will be disbursed within 10 working days.

<sup>19</sup> For those funds where OCHA is not directly contracting partners, the approval process may differ. The HC can sign the list of projects with the implementing UN agency. The HC can then notify the implementing partners' contracting entity, which can then sign the contracts with the implementing partners.

<sup>20</sup> For those funds where OCHA is not directly transferring funds to implementing partners, the disbursement process and the time of disbursement may differ.

**Workflow for reserve allocation**

<b>Step 1</b> Submission of projects and review of strategic relevance	1.1 Submission of proposal	* Implementing partner
	1.2 General check by HFU (eligibility of partner in case of suspension, compliance with template, duplication of proposal, etc.)	* HFU
	1.3 Review of relevance for Reserve allocation and strategic relevance using simple scorecard	* HFU * Cluster Coordinator or Review Board
	1.4 Submission for technical review	* HFU
<b>Step 2</b> Technical and financial review	2.1 Financial and technical review	* OCHA (HFU and FCS Finance Unit) * Review Committee * GenCap/Gender Advisor * ProCap
	2.2 Consolidation of financial and technical comments and submission to partner	* HFU
	2.3 Revision of proposal - max 3 times after which, if the project still does not meet quality standards, it is rejected	* IPs
<b>Step 3</b> Final approval by HC	3.1 HC approves project	* HC
	3.2 Project approved by HC is shared with AB for information; AB has 1 or 2 working days to comment	* HFU
	3.3 HFU prepares draft Grant Agreement and decides start date in consultation with partner, and consequent reporting timeline	* HFU
	3.4 HC signs Grant Agreement	* HC
	3.5 Grant Agreement is shared with IP for counter-signature (date marks start of eligibility)	* IP
	3.6 Grant Agreement is signed by OCHA Executive Office	* OCHA FCS Finance Unit * OCHA ASB
<b>Step 4</b> Disbursement	4.1 Following OCHA EO signature, first tranche of funding is disbursed to the partner	* OCHA FCS Finance Unit

**3.3 Grant Management System (GMS)**

122. The Grant Management System (GMS) is a web-based platform that supports the management of the entire grant life cycle for all Country-Based Pooled Funds (CBPFs). It is a mandatory tool for CBPFs and a fundamental management instrument for OCHA's fund managers. The GMS promotes efficiency, effectiveness and supports risk management. GMS harmonizes business processes while catering to the special needs of each fund. The system strengthens OCHA's data analysis and information management capacity.

123. The GMS streamlines allocations and facilitates interaction among all stakeholders involved in the grant management process, supporting them in discharging their functions. GMS allows grant

recipients to submit project proposals online. Financial and narrative reporting can therefore be done in real time, together with any project revisions. The system provides for real time tracking of processes, tasks, reminders and feedback.

124. The GMS is a robust mechanism allowing fund managers to oversee and monitor business processes. The system is integrated with other relevant online systems, including OCHA Contribution Tracking System, OCHA Financial Tracking Service, and other databases as necessary. This real time access to data allows OCHA to quickly provide information and analysis on questions raised both at the field and headquarters level.
125. The GMS strengthens OCHA capacity to effectively implement a risk-based management approach. The system supports fund managers in the implementation of due diligence processes and agreed upon control mechanisms.
126. The GMS also allows for proper monitoring and accounting of fund management performance. The system monitors the speed and the quality of different processes, including allocations, disbursement of funds, monitoring, reporting and audits.
127. The GMS' Business Intelligence modules are publicly accessible and will provide real time data, including commitments, contributions, allocations, recipient partners, geographical coverage, and funding distribution among clusters.



## 4. Accountability and operational modalities

### 4.1 What does accountability mean in the context of CBPFs?

128. There are two types of accountability that articulate what the main stakeholders involved in CBPF processes are responsible for and should be held accountable for. This essentially relates to what the HC (and OCHA in its supporting function) and implementing partners are respectively accountable for:

- **CBPF Management:** Accountability relates to the ability of CBPFs to achieve their objectives as humanitarian financing mechanisms. This is captured in figure 1 in the CBPF Policy Instruction. The HC is responsible for establishing a process which produces high quality allocation strategies, selects appropriate and qualified implementing partners, monitors implementation and verifies that reported results are genuine and matches those of approved project agreements.
- **Implementing Partners:** Accountability relates to the ability of individual organizations receiving CBPF funding to achieve expected project results. This means that implementing partners are ultimately responsible for project activities, project outputs and for reporting accurately on results.

129. Accountable use of CBPF resources is ascertained through a set of different components which forms an accountability framework. The framework enables the HC, designated by the ERC, to ensure that: (i) implementing partners are delivering intended programmatic results; (ii) CBPFs are managed responsibly and according to established policies; and ultimately (iii) that CBPFs are achieving their main objectives. The components are:

1. Risk management
2. Partner capacity and performance assessment and partner risk rating
3. Reporting (financial and programmatic)
4. Project monitoring
5. Evaluation
6. Audits

130. All CBPFs are required to develop a fund-specific accountability framework that incorporates these six different components. The accountability framework takes the risk-based approach to grant management as its starting point and should be tailored around country-specific aspects and needs for accountability. The accountability framework is required to be in place prior to the first allocation after a new CBPF has been established. The importance of the accountability framework cannot be overstated as it provides the necessary conditions for ensuring accountability to CBPF donors and beneficiaries by demonstrating results and enabling continuous learning for improvement of practices through systematic feedback mechanisms.

131. The HC, through the HFU, will take progressive actions to address non-compliance with any requirement obligation stemming from the accountability framework or the relevant contractual agreements ([see below](#)). All CBPFs should establish formal mechanisms (e.g. facilitated by an email address for complaints) to allow stakeholders to express concerns about the conduct of CBPF processes or decisions. The specific procedures will be developed at the country level.

### 4.2 Risk Management

#### *Rationale for risk management in the context of CBPFs*

132. Risk management has become increasingly more important across the UN system, including OCHA, leading to several initiatives to better manage risks.

133. In the case of CBPFs, the rationale for putting in place a risk management framework is to assist

OCHA and the Humanitarian Coordinators (HCs) in making strategic decisions that maximize the ability of CBPFs to achieve their objectives. The OCHA's corporate risk registry includes pooled fund management as a key risk to the organization. Effective management of risk in CBPFs is, therefore, a corporate priority for OCHA.

What does risk management mean in the context of CBPFs?

134. At the fund level, risk management aims at providing a specific set of tools for the decision making process to support the achievement of strategic outcomes in a transparent manner. Risk management includes risk identification, risk analysis and the development of mitigation strategies to manage residual risks. Partner risk management is concerned with tailoring grant management procedures according to the capacity and performance of partners. Funding decisions should take into account risk analysis at both levels suggesting the appropriate assurance mechanisms.
135. Each CBPF develops a Risk Management Framework at the fund level that identifies key risks that may prevent the CBPF from attaining its objectives and/or lead to reputational risks. (Annex 25, Risk Management Framework). This is a management tool which enables the HC, supported by the AB, to ensure strategic decision making and guarantee that the CBPF remains relevant in the context in which it is operating. The framework should consolidate all activities and functions that mitigate key risks under one umbrella. Identified risks are analyzed and categorized in terms of severity according to relative likelihood and potential impact on fund objectives. The risk analysis should clearly spell out residual risks to enable informed decision-making based on an understanding of potential consequences. Identified risks and associated mitigation strategies are regularly reviewed and monitored by the HC in consultation with the AB.
136. At the partner level, each CBPF is required to assess the capacity of each NGO implementing partner that seeks funding to determine eligibility. Eligible NGOs are categorized according to a specific risk rating which determines the minimum standard of operational modalities applicable to the partner. The principle is that the higher the risk the more stringent assurance mechanisms will apply. The system encourages improvements in capacity as partners can migrate to lower risk levels through good performance and by addressing capacity weaknesses.
137. The combination of the fund level and partner level risk should inform funding decisions, determine applicable assurances and spell out residual risk. Overall risk pertaining to a specific project should be determined by the partners' level of risk combined with other contextual and operational factors. This could include the type of funded activity and the location/area in which the project is implemented. Country specific factors, beyond partner risk level should be part of the risk management framework and determined by the HC in consultation with AB.

Risk management, strategic objectives and program logic of CBPFs

138. The strategic direction for country-based pooled funds is anchored in the key objectives of the funds that are outlined in the corporate Policy Instruction for CBPFs. At the country level, these objectives are further operationalized and put into context in the Operational Manual (see Annex 19, CBPF Operational Manual). The fund's strategic direction as laid out in the Operational Manual is adjusted over time based on the evolution of the humanitarian context and the availability of resources.
139. Each CBPF should develop and implement a risk management framework according to these principles and a specific methodology which is described in detail in Annex 25, Risk Management Framework. The methodology should be used as a starting point to help organize the thinking process and should not be regarded as overly rigid. The key steps outlined below are based on the international risk management standard ISO31000 and should help guide the HFU through the process.

**Overview of the Risk Management Process**

<b>STEP 1: Establish context</b>	Establishing the context focuses on developing a structure for the risk identification tasks to follow. This includes reviewing the context in which the fund operates, including OCHA priorities, security, coordination mechanisms, programmatic priorities, etc.
<b>STEP 2: Risk identification</b>	Identifying risks associated with the fund in the country of operation (what incidents can occur and why the incident could occur).
<b>STEP 3: Risk Analysis</b>	The likelihood and magnitude of the risks - categorization of risk in terms of their likelihood and consequence (this is typically done in a heat-map).
<b>STEP 4: Risk Evaluation</b>	Strategies for pre-empting and treating the occurrence of a risk (options to reduce likelihood or alternatives to treat risk if it occurs).
<b>STEP 5: Risk Treatment<sup>21</sup></b>	This should detail responsibility for managing a risk (what specific stakeholder should take action to avoid or treat risk).
<b>STEP 6: Monitor and Review</b>	Continuous review of risks identified and identification of new risks as they emerge.

**4.3 Risk-based Grant Management**

140. An essential component of the CBPF accountability framework is the analysis of the risk that is present when disbursing funds to each implementing partner. Partner risk analysis is carried out by analyzing partner capacity which determines eligibility. Eligible partners are rated according to risk based on assessed capacity. The risk level is translated into minimum control mechanisms (operational modalities) applicable to the grants issued to the partner. Over time, as partners receives funding and implements projects, risk ratings will increasingly be determined by partner performance.
141. Risk-based grant management serves three main functions. Firstly, it aims at improving the management of CBPF projects by matching grant management and oversight requirements with assessed risk. Low risk partners are subject to fewer controls. Secondly, risk-based management helps partners identify areas for improvement and provides tangible incentives for capacity building, in turn allowing for a wider range of partners, especially national NGOs, to access funds more easily.
142. The partner-based risk analysis only applies to NGO implementing partners. These entities, external to the UN system, does not have a comparable legal standing as UN agencies and IOM, which are intergovernmental organizations that are accountable to the member states of the UN. Each UN agency and IOM has its own governance and control framework which applies to the management of CBPF grants.

**4.3.1 Capacity assessment of NGO partners**

143. Each CBPF is responsible for ensuring that an assessment of the capacity of each NGO implementing partner is carried out. The assessment is aimed at determining whether the NGO has a

<sup>21</sup> Risk treatment is a risk modification process. There are several options for risk treatment, including reducing the risk, sharing the risk, removing the source of the risk, accepting the risk, perhaps even increasing the risk if the risk could become an opportunity. Once the treatment option has been implemented it becomes a control, or a modification of a control.

sufficient level of capacity in terms of institutional, managerial, financial and technical expertise. This analysis establishes eligibility to receive funding from the CBPF.

144. Eligible partners are rated as either: (i) High Risk, (ii) Medium Risk, or (iii) Low Risk. The risk level determines the minimum control mechanisms applied throughout the grant management cycle. The Operational Modalities table ([see below](#)) provides an overview of the modulation of the control mechanisms based on the three elements of partner's risk level, budget amount and project duration. The modulation of control mechanisms outlined in the Operational Modalities table represents a globally-mandatory minimum standard. Each CBPF can, in light of the country context and upon approval from the AB and the HC, include additional and/or more stringent controls.
145. The HC, in consultation with the AB, decides what the threshold for eligibility should be. The eligibility threshold can be interpreted as a measure of risk tolerance. Eligibility thresholds and risk levels may vary across countries to account for contextual differences.

### Approaches to Capacity Assessment for NGO partners

146. Capacity assessments are carried out under the coordination of the OCHA Country Office. Currently, every NGO will be assessed at the national level in the context of the CBPF it wants to receive funding from. Capacity assessments should take place before an application for funding is submitted. Ineligible partners can re-apply for capacity assessment six months after being rejected, provided that they can demonstrate that the elements that caused the rejection have been addressed.

### Steps of the capacity assessment process:

#### 1. Registration and due diligence

147. Prospective implementing partners initiate the capacity assessment process by submitting: (i) an application form, (ii) signed and dated due diligence declarations (Annex 3, Due Diligence Declarations), (iii) a bank statement (or a letter signed by the bank holding an account)<sup>22</sup>, and (iv) identification documents (copy of passport or Identity Card) and curriculum vitae (CV) of the legal representative of the organization. It is at the discretion of each CBPF to add any mandatory or optional requirements to the registration and due diligence stage.
148. Each CBPF can decide whether the registration and due diligence steps are open to any interested prospective partners, or strictly by invitation. This may depend upon the capacity of the HFU to review registration and due diligence applications, the number of NGOs with implementing capacity on the ground, or the stage of development of the fund (for example, a new fund may want to prioritize a few selected NGOs with proven capacity, access to prioritized locations, and/or experience in prioritized sectors).

#### 2. Capacity assessment

149. Partners that meet all the due diligence requirements will undergo the capacity assessment to determine eligibility. Depending on the operating context, CBPFs will adopt one of the approaches to capacity assessment outlined below<sup>23</sup>. CBPFs can also decide to adopt a combination of the approaches below, or to change the approach over time. The HC, in consultation with the Advisory Board, is responsible for approving the way the Fund carries out capacity assessment ensuring it is suited to the operating context and proportioned to the level of risk facing the Fund.
150. Costs related to carrying out capacity assessment should be approved by the HC in consultation with

<sup>22</sup> Name of the organization and the name of the Account Holder must be exactly the same.

<sup>23</sup> In cases where a service provider other than OCHA is responsible for granting access to the CBPF to NGOs, the service provider should agree with OCHA the methodology to be used for the capacity assessment. This methodology should be in line with the approaches outlined in this document.

the Advisory Board and charged against the fund.

- Fully fledged capacity assessment

This approach provides the most thorough analysis of partner capacity. As such it is considered the most exhaustive approach, suitable for new funds and contexts characterized by high levels of risk.

- i. *Application by Implementing Partners:* CBPFs that choose to adopt the fully fledged capacity assessment will request partners, at the due diligence and registration stage, to submit additional documents listed in the Application Checklist (see Annex 2, Due diligence application and checklist).
- ii. *Pre-screening by OCHA Country Office:* Once all documentation has been received from the prospective partner, the OCHA Country Office is responsible for coordinating the assessment. OCHA will carry out an initial review of all documents and will communicate to the NGO whether their request for assessment will be further considered. If the response is positive, the in-depth capacity assessment process will be launched.
- iii. *External Capacity Assessment on behalf of OCHA Country Office:* The assessment will be carried out by an external consultant or company contracted by the OCHA Country Office, following the criteria outlined in (Annex 6, Fully-fledged partner capacity assessment tool). The assessment includes a desk-based review of the documents provided by the implementing partner; interviews with the organization's staff members; visits to the implementing partner's Country Office (and, where possible, to one or more field offices), and interviews with key informants such as previous/existing donors and partners, cluster leads and members, and beneficiaries of the NGO.

*Quality assurance by OCHA Country Office:* The OCHA Country Office is responsible for supporting the coordination and ensuring the quality and accuracy of assessments carried out by third parties through thorough review.

- Proxy indicators of partner capacity

151. Depending on the specific features and operating context of the fund, the assessment of the capacity of NGO partners may have to be carried out through the use of proxies rather than the fully fledged assessment. Proxies are assessments that give a strong or reasonable indication of the capacity of an NGO, and which can function as a substitute to the fully fledged assessment.
152. A variety of different proxies can be used depending on the context of the fund and the access to different information sources. The following are some examples of information sources that can be used to ascertain the level of capacity of implementing partners: (i) past CBPF performance in the country, (ii) assessments carried out by other donors, (iii) existing partnership agreements with other UN agencies and/or bilateral donors, (iv) demonstrated experience in the country, (v) access to priority locations, (vi) recommendation from clusters regarding the capacity of implementing partners. The merit of each proxy should be assessed individually in terms of how well it satisfies the information requirements contained in the fully fledged capacity assessment. The HC, in consultation with the AB, approves the methodology used for capacity assessments using proxies.
153. Funds that have been in operation for many years may use indicators of performance in the implementation of previous CBPF grants as proxies of the capacity of the organization.

- Capacity assessment in sudden onset emergencies

154. CBPFs operate in highly volatile environments and often respond to sudden onset emergencies. In such circumstances, there may be situations where organizations that have not been subject to a formal capacity assessment require funding in order to carry out mission critical or life-saving activities that no other organization can perform. In these exceptional cases, a capacity assessment is not necessary (or can be carried out later). Nonetheless, it is important to ensure that minimum checks are performed in order to safeguard the accountability of the Fund. No matter the

circumstances CBPFs should always carry out a due diligence process. At a minimum, this includes the requirements listed under [paragraph 147](#). CBPFs may add to these mandatory minimum standards by adding additional requirements if that is possible given the specific country context.

### 3. *Definition of risk levels*

155. The eligibility threshold and the score thresholds for the high, medium and low risk categories of implementing partners will be defined by the HC in consultation with the OCHA Country Office and the CBPF Advisory Board after the first round of capacity assessments is carried out. By definition, the level of acceptable risk is intrinsic to the specific context and should be determined taking average capacity into consideration.
156. Other elements in addition to the capacity of the partner determine the risk that a CBPF faces in funding a specific project. Project location(s) and type of activities implemented, for example, can have an impact on the risk of a project. However, this additional risk analysis goes beyond the minimum standards.

#### 4.3.2 Performance management

157. Partner capacity assessments reflect the capacity of a partner at one particular point in time. The capacity of an organization develops over time as does the risk that the organization poses to OCHA. The AB is required to review and, if necessary, revisit the eligibility thresholds and corresponding risk levels. Similarly, OCHA will update the assessment of partner's capacity over time.

OCHA analyzes partner performance throughout project implementation. In particular, OCHA will track and score partner's performance in relation to i) quality and timeliness of submissions of project documents (proposals, budget and concept notes); ii) quality and timeliness of implementation against approved targets; iii) quality and timeliness of reporting; iv) frequency, timeliness and justification of project revision requests; v) quality of financial management; vi) audit findings; (see Annex 7, Performance management tool - draft). The scores assigned to the partner in each of these factors will be summarized in a Partner Performance Index (PI). The average on the PI for each of the projects implemented during the year will give the annual partner's PI. The PI will impact on the risk level determined through the initial capacity assessment, and result in an improvement or deterioration of the risk level.

158. In addition to annual updates of partners' risk level through the PI, CBPFs can choose to periodically re-assess the capacity of their eligible partners by carrying out subsequent assessments. Eligible partners that have not implemented projects funded by the CBPF for more than two consecutive years will be required to undergo a new capacity assessment.

#### 4.4 Operational Modalities

159. The risk rating of NGO implementing partners has a direct impact on how each CBPF grant is managed and how accountability is exercised in practice through the risk rating of implementing partners. In total, the assurance mechanisms that are used to manage grants vary depending on four factors:
1. Type of implementing partner (i.e. UN agency, NGO).
  2. Partner risk level (in the case of NGOs).
  3. Value of the project.
  4. Duration of the project.
160. These variations define the "operational modalities" applied by OCHA as minimum standard to CBPFs, and consist of adjusting the following elements for projects implemented by NGOs:
1. Disbursement policy (i.e. number and percentage of disbursements).

2. Funding ceiling.
3. Field monitoring visits.
4. Financial spot checks.
5. Narrative reporting requirements.
6. Financial reporting requirements.
7. Partner audit.

161. In the case of projects implemented by NGOs, the operational modalities illustrated in the table below set a minimum standard<sup>24</sup>:

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<sup>24</sup> Funding ceilings have been determined based on analysis of allocations made to NGOs over the past two years in a sample of CBPFs.

Risk level	Project duration (months)	Project value (thousand USD)	Maximum amount per project (thousand USD)	Disbursements (in % of total)	Financial reporting			Narrative reporting		Monitoring		Audit
					For disbursements	31 January	Final	Progress	Final	Field visit	Financial spot check	
H	Less than 7	< 250		60-40	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1	As per plan
		> 250	500	50-50	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1	
	Between 7-12	< 250		40-40-20	Yes	Yes	Yes	Yes(2)	Yes	1	1	
		> 250	800	40-30-30	Yes	Yes	Yes	Yes (2-3*)	Yes	1-2**	1	
M	Less than 7	< 250		100	-	Yes	Yes	Yes (1 mid)	Yes	-	-	
		> 250	700	80-20	Yes	Yes	Yes	Yes(1 mid)	Yes	1	-	
	Between 7-12	< 250		80-20	Yes	Yes	Yes	Yes (1 mid)	Yes	0-1**	-	
		> 250	1.200	60-40	Yes	Yes	Yes	Yes(1 mid)	Yes	1	0-1	
L	Less than 7	< 400		100	-	Yes	Yes	No	Yes	-	-	
		> 400		80-20	Yes	Yes	Yes	No	Yes	-	-	
	Between 7-12	< 400		100	-	Yes	Yes	Yes (1 mid)	Yes	-	-	
		> 400		80-20	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1 / partner	

\* Three progress reports are only required for projects of 10 months or more.

\*\* Additional field visits are only required for projects of 10 months or more.

162. The combination of partner risk level, duration and project budget determine the operational modalities applicable to each grant. More specifically:
- i. *Disbursements*: The implementing partner will receive a first installment at the beginning of the project and will be entitled to request the next disbursement(s), by submitting a financial statement, as soon as the implementing partner has spent 70 per cent of the funds previously received.
  - ii. *Fund ceiling*: This determines the maximum amount that a partner can receive per project.
  - iii. Financial reporting:
    - Partners will submit financial statements when requesting the next disbursement.
    - All partners will have to submit a report by the dates specified in the Grant Agreement.
    - All implementing partners will submit a financial statement within two months of the end of the project.
  - iv. *Audits*: Implementing partners will be audited according to the audit plan established by headquarters in coordination with the OCHA Country Office<sup>25</sup>.
  - v. *Narrative reporting*: Type (progress, final) and schedule of narrative reports will be determined based on the risk level of the partner, the duration and the size of the project.
  - vi. *Financial spot check*: These checks assess the soundness of internal controls and the accuracy of the financial records for cash transfers of implementing partners. Financial spot checks are determined on the basis of partner risk level.
163. In line with the operational modalities described above, the number and percentage of each disbursement, as well as the narrative and financial reporting requirements will be clearly stipulated in the grant agreement between OCHA and the implementing partner<sup>26</sup>.
164. Under exceptional circumstances the limits on the “Maximum amount per project” and the number of “Disbursements” can be modified. Only solid programmatic reasons, duly explained, can justify such exceptions. Exceptions to the operational modalities shall be submitted through FCS for approval to the holder of the delegation of authority.
165. In the case of projects implemented by UN agencies and IOM, 100 per cent of the approved budget will be disbursed upon signature of the grant agreement<sup>27</sup>.

## 4.5 Monitoring

### Objectives of Monitoring

166. Implementing partners to CBPFs are expected to have adequate internal mechanisms for project management, reporting and monitoring. The capacity of each organization will be verified during the capacity assessment, during the project approval process and finally during the monitoring and reporting phase. Project performance information is effectively generated through internal mechanisms developed by implementing partners. The role of CBPF management is to collect, organize and provide quality control of the information that has been generated through these mechanisms.
167. The purpose of monitoring is primarily to assess progress made towards set targets and to verify the accuracy of reporting submitted by recipient organizations. Building on the principles set out here, CBPF monitoring and reporting has the following key objectives:

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<sup>25</sup> OCHA is currently developing the guidance for partner-based audits. For the time being every NGO project funded by OCHA will be subject to an audit.

<sup>26</sup> When the contracting of implementing partners is not managed by OCHA, the same provisions should be incorporated into the contractual arrangements with partners.

<sup>27</sup> When the contracting of UN and IOM is not managed by OCHA contractual documents may differ.

- i. Ensure adequate verification of reported results at project level thereby contributing to increased accountability.
- ii. Provide evidence on how the CBPF has contributed to broader outcomes set forth in the HRP, and reinforce evidence based decision making by HC, CBPF Advisory Board and cluster coordinators.
- iii. Ensure that resources are used efficiently and according to what was agreed upon in project documents and Allocation Papers.
- iv. Support implementing partners during implementation of CBPF funded activities.

168. The main principle for monitoring is that all recipient organizations, UN agencies, IOM and NGOs, are subject to monitoring by the fund. While requirements will not be identical, it should be recognized that the HC needs reassurance of project performance, regardless of the implementing entity.

### Roles and Responsibilities

169. The HC is responsible for ensuring that a representative sample of projects funded under a CBPF are effectively monitored through appropriate monitoring modalities. The OCHA HFU is further responsible for coordinating monitoring efforts and ensuring that monitoring of projects is carried out.

170. The costs for monitoring are either covered as part of the OCHA Country Office cost plan or as a direct cost of the fund. In cases when the cost is part of the OCHA Country Office cost plan, the HFU shall calculate the expected costs of monitoring and reporting related activities based on the target and timeframe. These costs shall become part of the OCHA Country Office cost plan, and therefore be covered by the Country Office budget.

171. The HFU coordinates and participates in field monitoring visits and should work closely with clusters in devising procedures related to monitoring. A monitoring plan should be developed by the HFU at the time allocation decisions have been made. The monitoring plan may be adjusted depending on changes in the operational context and information gathered through reporting. The following are the key responsibilities of the HFU in terms of monitoring:

- a. Developing and maintaining a comprehensive monitoring plan which reflects the minimum requirements of the operational modalities ([see above](#)).
- b. Working with cluster coordinators and co-coordinators in ensuring that monitoring is undertaken in close coordination with other cluster monitoring activities.
- c. Developing terms of reference and contracting external expertise for third party monitoring or remote monitoring as required.
- d. Undertaking field site monitoring missions in line with the monitoring plan in cooperation with OCHA sub-offices.
- e. Reviewing and analysing information collected through monitoring activities and reporting.

172. Minimum monitoring arrangements for projects implemented by NGOs will be determined based on the risk level assigned to the partner, the duration of project activities and the size of the project budget as articulated in the operational modalities of CBPF.

173. Monitoring arrangements for projects implemented by UN agencies will be determined at the country level according to the specific agreements outlined by the HC and the AB. Monitoring of UN agency projects is mandatory and should be based on a sampling methodology considering country specific factors as required.

### Process and Monitoring Tools

174. Taking into consideration that implementing partners' project management systems form the backbone of monitoring, the main objective of CBPF monitoring tools is to provide an additional level of verification of project results. Implementing partners describe the tools they intend to use for project monitoring in the project proposal.

The monitoring plan should describe what type of monitoring tools that will be used to satisfy the minimum standards set out in the operational modalities. The following represent the most commonly used monitoring tools in CBPFs to date.

175. *Field site monitoring* - Field site monitoring, implemented by OCHA and supported by clusters, is a critical component of the overall framework in order to verify that CBPF-funded projects are delivering against targeted outputs, and to allow the HC and clusters to assess the qualitative aspects of programme implementation. As there are limitations to what can be observed through site visits, additional information will still need to be collected through other means. While field monitoring will not attempt to make evaluative assessments of projects, it will be essential to select an approach that covers issues beyond the delivery of project outputs. Field monitoring visits should, at a minimum, collect information that: (i) makes an assessment of the timeliness of the overall project implementation, (ii) verifies reported results, and (iii) assesses progress on key project activities (see Annex 4, Field monitoring template). Moreover, financial spot checks will be carried out to assess in accordance with Annex 5, Financial Spot checks.
176. *Third Party Monitoring* - Third party monitoring could be considered as one of the monitoring approaches suitable for CBPFs when access is limited in countries or regions of operation. This approach enables CBPFs to obtain independently verified information about the status of implementation of CBPF projects (mainly in high risk areas), with particular emphasis on the achievement of project outputs. The approach combines field visits and desk reviews of available fund-related documentation (e.g., project proposals and any other relevant information/documentation). The main focus of third party monitoring is to verify that contracted activities are being implemented and associated outputs are delivered.
177. *Remote Call Monitoring* - Remote call monitoring can be a cost-effective means of collecting statistics and recording observations from key informants and beneficiaries on progress made on project outputs and satisfaction. Call centers can be established in safe locations with the sole purpose to conduct telephone interviews with key informants using structured multiple choice questionnaires. All information collected can be captured directly in a web-based platform hosted by the call center operator using validation logic, thereby providing real-time progress information on projects monitored that would then be shared with HFU.
178. Remote monitoring occurs in instances when it is not feasible to conduct physical project visits. This is not uncommon as CBPFs tend to operate in insecure and highly volatile environments with restricted access. Remote monitoring only be used as a last resort in cases where there are no other options, the principle is to use enough sources of information to allow for meaningful monitoring. For those situations where it is not possible to undertake any form of monitoring (physical or remote), funding projects should be considered in light of the urgency of the needs they address. The risks involved in such a decision should be communicated to the Advisory Board.

#### 4.6 Reporting

179. CBPFs require reporting so as to ensure that activities carried out are on track to reach proposed project objectives. To the extent possible, UN agencies, IOM and NGOs are treated equally in relation to their reporting requirements.
180. Narrative and financial reporting requirements for NGOs are determined according to the Operational Modalities described above ([see above](#)).
181. UN agencies will submit an interim financial statement to reflect expenditure incurred for project activities up to 31 December of each year by the 31 January of the following year. Interim financial statements will be submitted every calendar year until the submission of the final financial statement. Upon completion of the project a final financial statement covering the period between inception and completion of the project will be due no later than 30 June of the following year. Financial statements for UN agencies, IOM and NGOs are collected through the GMS according to the templates annexed to the Handbook (see Annex 34, Project Budget and Financial Reporting Tool).

182. UN agencies will submit a final narrative report within two months of completion of the project. If the duration of the project is between 7-12 months, UN agencies will also submit a progress narrative report to reflect achievements at midpoint of the project implementation. Narrative reports for UN agencies, IOM and NGOs will be submitted through the Grant Management System (GMS) and will follow the templates annexed to this Handbook (see Annexes 31 and 33, Progress and Final narrative reporting templates).
183. CBPFs should promote the use of standardized output indicators for all recipient organizations (ideally as identified in the HRP, or as a minimum as agreed with sector/cluster in country). CBPFs promote the implementation of the HRP or similar country level planning framework. Reporting should therefore be linked, when possible, to the strategic objectives of the HRP.
184. Annual programmatic reports of all CBPFs are made public and available to all stakeholders. The reports should summarize (i) how the CBPF has performed in relation to its strategic objectives (including links with HRP, strengthening of HC, promoting partnership with NGOs and strengthening of coordination system); (ii) describe how funding has been allocated in relation to key humanitarian events, timeliness and transparency, and gender considerations; (ii) synthesize achievements by sector/cluster; (iii) highlight risk management initiatives including monitoring and reporting; (iv) present challenges and (v) main priorities for next year. Annual reports should include information about all projects funded in the previous year (see Annex 23, Annual Reporting template).

#### 4.7 Evaluations

185. Evaluations are an important component of the accountability framework as they enable independent assessments of CBPFs at the fund level. External evaluations should be undertaken every three years and make a collective assessment of active CBPFs. External evaluations should focus on how the CBPFs have performed as humanitarian funding mechanisms as assessed against the main objectives. Specific evaluation questions and methodologies will be developed as part of the process of conducting the evaluation.
186. External evaluations of CBPFs are not inter-agency mandated and are considered internal OCHA evaluations that are managed by OCHA in agreement with CBPFs donors. Ad hoc reviews of specific aspects of how CBPFs are performing can be considered beyond the mandatory three-year evaluation. Such reviews should be planned and carried out in close consultation between the HC, the AB and OCHA at the country level and be subject to clearance from OCHA headquarters (i.e. FCS).

#### 4.8 Audit

187. UN agencies and IOM are subject to internal oversight audit systems and other mechanisms established by their respective governing bodies.
188. NGOs partners receiving funds from CBPF are subject to external audit by the Fund ([see below](#)).
189. The external audit is an oversight mechanism and an essential component of the accountability framework. It enhances the transparency and sound financial management of resources allocated through CBPFs.
190. External audits allow the HC to obtain evidence-based assurances on the use of funds transferred to NGOs. In particular, external audits help to mitigate financial risks; including misuse of resources and fraud; identify weaknesses in financial and operational management and recommend critical improvements; identify ineligible expenditures.
191. External audit findings provide essential feedback to the partner and the system, promoting continuous improvement of NGO financial and operational management and performance, and enabling the HC to make better informed funding decisions.

192. OCHA will develop a risk-based approach to audits which will replace the current project-based approach. The risk-based approach will set the criteria to prioritize which partners will be audited on the basis of partner risk level and financial volumes transferred to NGOs.
193. Internal oversight bodies (OIOS - Office of Internal Oversight Services and the BOA - Board of Auditors) regularly audit OCHA operations. Audits performed by these entities are subject to the single audit principle. The BoA, comprising Auditors-Generals of three Member States, provides external audit services for the United Nations and its funds and programmes with the exception of the World Food Programme (WFP), which has its own external auditor.

#### 4.9 Compliance measures

194. Through the aforementioned accountability mechanisms, the HC will aim to safeguard programmatic and financial management of CBPFs. Compliance measures enables the HC to address non-compliance with the legal terms agreed between the fund and the recipient organization, especially related to the following types of situations:
- i. Overdue financial or narrative reports.
  - ii. Non refund of unspent funds.
  - iii. Critical (high risk) audit findings/qualified audit opinion (especially on lack of critical internal controls, serious weaknesses in internal controls, lack of bank reconciliation; lack of double-entry accounting system; lack of supporting documents).
  - iv. Critical findings from monitoring and financial spot checks.
  - v. Violation of humanitarian principles and code of conduct<sup>28</sup>.
  - vi. Indication of possible fraud, corruption or misuse of funds.

OIOS performs internal audits of OCHA, and adheres to the single audit principle, whereby it cannot audit UN funds and programs which have their own internal audit function. OIOS and BoA audits regularly cover OCHA management of pooled funds, and consider whether procedures for management of CBPFs are appropriate. These audits cover all parts of the CBPFs (advisory boards, allocations, risk management, etc.) and look at compliance with rules and guidelines.

195. When a partner does not comply with the requirements described in this handbook and reflected in the contractual agreement or violates any other obligations stemming from the contractual agreement OCHA will progressively take corrective actions commonly referred to as compliance measures (Annex 1, Compliance Measures). In line with the single audit principle, donors and member states should not carry out additional audits and should respect the single audit principle to avoid duplication of efforts, minimize disruption and costs to all parties and conflicting recommendations that could result in widespread confusion and misunderstanding of CBPF operations.
196. The general principle underpinning the application of compliance measures is that whenever a partner does not comply with requirements stemming from the accountability framework described above or relevant contractual agreement, the HC, through OCHA, will take progressive actions to address partners' behavior. Amicable solutions should be pursued to the extent possible.

<sup>28</sup> See [GA Res 46/182](#) and <https://cdu.unlb.org/UNStandardsOfConduct/CodeofConduct.aspx>

## 5. Administration of CBPFs

### 5.1 Basic Definitions and Guidance on the Project Budget Preparation Process

197. The objective of this section is to provide partners, OCHA Country Offices, HFUs and OCHA headquarters with a common framework to facilitate the appropriate preparation, review and clearance of project budgets. In particular, this guidance focuses on defining eligible and ineligible costs, direct and indirect costs (e.g. Programme Support Costs – PSC), shared costs, budget categories and the adequate break-down of budget lines.

198. This guidance applies to UN agencies, IOM and NGOs.

#### 5.1.1 Rationale and Basic Principles of the Project Budget

199. A clear segregation of duties underpins the preparation, review and clearance of the project budget. This is critical to preserve the country-driven nature of CBPFs and necessary to ensure central and internal controls to reduce the risk of approving erroneous or inappropriate project budgets (e.g. miscalculations, inconsistency, and lack of transparency or admission of ineligible costs). In this regard, fund managers in the field, certifying finance officers at headquarters, and implementing partners have specific roles and responsibilities, as follows:

200. Fund managers are responsible to ensure that:

- i. The principles of economy, efficiency, effectiveness, transparency and accountability are adhered to in the sense that the project budget inputs are commensurate with the planned activities and the expected outputs, more specifically, that the project budget is a correct, fair and reasonable reflection of the project proposal/logical framework
- ii. The cost estimates are reasonable in the specific country context so that funding will be used in the most efficient way.

201. The role of certifying finance officers in headquarters is to:

- i. Verify the budget's factual correctness, checking coherence with the project proposal and logical framework.
- ii. Flag concerns and seek clarification from fund managers on issues that may compromise compliance with UN rules and affect financial transparency and accountability.

202. The role of implementing partners in the budgeting process is to:

- i. Provide a correct and fair budget breakdown of the planned costs that are necessary to implement the activities and achieve the objectives of the project.
- ii. Use and comply with the budget template (Annex 34, Project Budget and Financial Reporting Tool) and guidance provided by OCHA for the classification and itemization of planned costs.
- iii. Provide a budget narrative (as an essential component of the budget) that clearly explains the object and the rationale of any budget line. For example, shared costs, large/expensive assets, and costs/equipment required to support the regular operation of the implementing partner, are clear cases where the provision of details will be necessary in the budget narrative.

#### 5.1.2 Eligible and Ineligible costs

- Eligible costs

203. The following attributes define the nature of eligible costs:

- Must be necessary and reasonable for the delivery of the objectives of the project.
- Must comply with the principles of sound financial management, in particular the principles of economy, efficiency, effectiveness, transparency and accountability.
- Must be identifiable in the accounting records and backed by original supporting evidence as incurred in accordance with the approved project proposal and period.

204. These may include:

- i. Costs of staff (including salaries, social security contributions, medical insurance, and hazard pay for high-risk locations) involved in the management and implementation of the project. Salaries and costs may not exceed the costs normally borne by the implementing partner in other projects.
- ii. Costs for consultancies involved in the implementation of the project.
- iii. Support staff costs at country level directly related to the project may be included.
- iv. Travel and subsistence costs directly linked to the project implementation for project staff, consultants, and other personnel that may also be eligible, provided the costs do not exceed those normally borne by the implementing partner.
- v. A contribution to the implementing partner's Country Office costs, as shared costs charged on the basis of well explained calculation and a reasonable allocation system. Shared costs must be itemized.
- vi. The financial support to beneficiaries, including cash and voucher based distribution.
- vii. Purchase costs for goods and services delivered to the beneficiaries of the project, including quality control, transport, storage and distribution costs.
- viii. Costs related to non-expendable items (assets) such as equipment, information and technology (IT) equipment for registration and suchlike field activities, medical equipment, water pumps and generators, etc.
- ix. Expenditure incurred by the implementing partner related to the award of contracts required for the implementation of the project, such as expenses for the tendering process.
- x. Costs incurred by sub-implementing partners, directly attributable to the implementation of the project.
- xi. Other costs deriving directly from the requirements of the grant agreement such as monitoring, reporting, evaluation, dissemination of information, translation, insurance etc., including financial service costs (in particular bank fees for transfers).

- Ineligible costs

205. The following costs are ineligible:

- i. Costs not included in the approved budget (taking into consideration duly approved budget revisions).
- ii. Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extensions).
- iii. Debts and provisions for possible future losses or debts.
- iv. Interest owed by the implementing partner to any third party.
- v. Items already financed from other sources.
- vi. Purchases of land or buildings.
- vii. Currency exchange losses.
- viii. Cessions and rebates by the implementing partner, contractors or staff of the implementing partner of part of declared costs for the project.
- ix. Government staff salaries.
- x. Hospitality expenses, provision of food/refreshments for project staff (not including water and hospitality for trainings, events and meeting directly related to project implementation).
- xi. Incentives, mark-ups, gifts to staff.
- xii. Fringe benefits such as cars provided by the organization to staff, individual full housing allowance and the like.
- xiii. Fines and penalties.
- xiv. Duties, charges, taxes (including VAT) recoverable by the implementing partner.
- xv. Global evaluation of programmes.

xvi. Audit fees/system audit fees – these costs are paid directly by the fund<sup>29</sup>.

- Other Types of costs

206. On a case-by-case basis and depending on the objectives of the fund, the fund manager retains the flexibility to consider the following costs as eligible:
- Government staff training as a component of a project activity that contributes to the achievement of the overall project objectives.
  - Visibility material of the implementing partner directly related to projects funded by CBPFs.
  - International travel costs when directly linked to the delivery of the project objectives. When international travel costs are requested to support additional activities outside those of the project, such costs can only be considered if they are well justified and in the proportion attributable to the project.
  - Vehicles.
  - Depreciation costs for non-expendable/durable equipment used for the project for which the cost is not funded in the current budget or prior CBPF funding.
  - Equipment for the regular operations of the implementing partner.
  - Recurrent costs for the implementing partner's current operations.

### 5.1.3 Direct and Indirect Costs

207. There are two categories of eligible expenditures: direct costs and indirect costs.

- Direct Costs

208. Direct costs have to be clearly linked to the project activities described in the project proposal and the logical framework. They are defined as actual costs directly related to the implementation of the project to cover the costs of goods and services delivered to beneficiaries, and the costs related to the support activities (even partial, such as a security guard or a logistician partially working for the project), required for the delivery of services and the achievement of the project objectives.

209. Direct costs include:

- Staff and related personnel costs, including consultants and other personnel.
- Supplies, commodities, materials.
- Equipment.
- Contractual services.
- Travel costs, including transportation, fuel, and daily subsistence allowances for staff, consultants and other personnel linked to the project.
- Transfers and grants to counterparts.
- General operating and other direct costs including security expenses, office stationary, and utilities such as telecommunications, internet, office rental and other direct costs, including expenses for monitoring, evaluation and reporting, related to the implementation of the project.

- Indirect Costs

210. Indirect costs are referred to as Programme Support Costs (PSC). PSC are all costs that are incurred by the implementing partner regardless of the scope and level of its activities and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include corporate costs (i.e. headquarters and statutory bodies, legal services, general procurement and recruitment etc.) not related to service provision to a particular project. PSC is charged as a maximum 7 per cent of the approved direct expenditures incurred by the implementing partner.

211. Programme Support Costs of sub-implementing partners associated to the implementation of a

<sup>29</sup> Those costs are charged as a direct cost for the management of the fund.

specific project should be covered by the overall maximum 7 per cent of the actual project expenditures.

212. Indirect costs do not have to be itemized in the project budget.

#### 5.1.4 Shared Costs

213. Sharing costs between different donors and projects under a country programme of an implementing partner is an acceptable practice for CBPFs. The implementing partner may share certain Country Office costs to different uses and projects, for example staff, office rent, utilities and rented vehicles.

214. The following guidance shall be observed when including shared costs in the project budget:

- i. All shared costs must be directly linked to the project implementation.
- ii. All shared costs shall be itemized in the budget, following standard accounting practice and based on a well-justified, reasonable and fair allocation system, to be clearly explained in the budget narrative of the project and to be assessed and approved by the HFU in the OCHA Country Office.
- iii. The implementing partner should at any time be able to demonstrate how the costs were derived and explain in the project proposal/logical framework how the calculation has been made (e.g. pro-rata, averages).
- iv. For staff-related costs, if a position is cost-shared, the percentage of the monthly cost corresponding to the time that the person will dedicate to the project shall be budgeted<sup>30</sup>. It is not acceptable to have portions of a unit for staff costs, only percentages are acceptable.
- v. Non-staff shared costs should be shared on the basis of an equitable cost allocation system<sup>31</sup>. Accordingly, the percentages in the budget are to be assessed and approved by the HFU in the OCHA Country Office.

#### 5.1.5 Guidance on the Itemization of Budget Lines

215. Each budget line requires the cost breakdown, as follows:

- i. Itemize each national and international staff, consultants and other personnel by function and provide unit quantity and unit cost by monthly or daily rates for each staff position<sup>32</sup>.
- ii. Provide unit or quantity (e.g., 10 kits, 1000 metric tons) and unit cost for commodities, supplies and materials to be purchased. The budget narrative should be used to account properly for specifying the applicable unit of reference (length, volume, weight, area, etc.).
- iii. Provide technical specifications for items whose unit cost is greater than US\$10,000.
- iv. Provide technical specifications for those items whose unit costs can greatly vary based on those same specifications (e.g., for generators, a reference to the possible range of power would be sufficient to properly evaluate the accuracy of the estimated cost).
- v. Provide details in the budget narrative for contract so that the object of the contract results clearly identified.
- vi. Itemize general operating costs (e.g. office rent, telecommunications, internet, utilities) for

<sup>30</sup> Cost-shared staff positions whose existence is intended to last the entire duration of the project should be charged for the entire period and charged in percentage against the project (half of the cost of a guard, in a 12 months project, should be budgeted at 50% of the monthly salary for 12 months). Durations shorter than the project are acceptable only if the position is not intended to last for the entire duration of the project. When recording expenditures the partner will retain the possibility to do it, within the budgeted amount, according the modalities that better suits its preferences (charging 100% of the guard for 6 months).

<sup>31</sup> This should be calculated as a percentage against the overall amount of the shared cost and charged in percentage to the project. It is preferable to charge shared costs for the entire duration of the project. When recording expenditures the partner will retain the possibility to do it, within the budgeted amount, according the modalities that better suits its requirements (e.g.: to cover half of the rent of an office in a 12 months project, the partner should budget the rent for 50% of the monthly cost for 12 months period. Then the partner retains the possibility to pay the full rent of the office for 6 months with the allocated budget).

<sup>32</sup> Staff positions must be charged per unit. When staff costs are only partially charged to the given budget this must be reflected in the percentage (50% of a staff, and not half of a staff at 100%).

- project implementation providing quantity and unit cost. A lump sum for operating costs is not acceptable.
- vii. Estimates can be accepted in travel, as long as the calculation modality of the estimate is described reasonably in the budget narrative (e.g., providing estimates on the number of trips and average duration in days, daily subsistence allowance (DSA) rates, etc.).
  - viii. National travel: estimate number of trips and cost per trip.
  - ix. International travel: estimate number of trips and cost per trip.
  - x. Provide the list<sup>33</sup> of items included in kits whose individual value is equal to or less than US\$50.
  - xi. Provide list of items and estimated cost per item for kits whose individual value is greater than US\$50.
  - xii. Provide the list of items for globally standardized kits (this does not include standard kits agreed upon in each country) like Post-exposure Prophylaxis (PEP) kits, Interagency Emergency Health Kit (IEHK2011), etc.
  - xiii. In the case of construction works, only the labor costs and known essential materials shall be budgeted and itemized, providing unit/quantity and unit cost. The budget narrative should explain how construction costs have been estimated on the basis of a standard prototype of building (latrine, health post, shelter), type of materials (wood, prefabricated, brick/cement/concrete) and formula or rationale used to estimate construction costs (e.g. per square foot or meter, previous experiences, etc.).

## 5.2 Signature of Grant Agreements

216. The use of the Grant Management System (GMS) is the pre-requisite for implementing the process described below. The GMS supports the full implementation of standard procedures and due diligence processes, it provides support throughout the entire project cycle management, it is the repository of necessary supporting project documents and it ensures timely and effective implementation of control mechanisms to manage and mitigate risks associated to the fund management.
217. Before submitting projects implementing partners will go through a due diligence process. During the process partners will provide the following documents:
- i. Bank information details (for implementing partners applying for the first time or when banking details need to be updated, see Annex 17, Third Party and banking information form)<sup>34</sup>.
  - ii. An official bank statement or bank certification letter for provided bank account, issued with the bank's letterhead or official seal.
218. Grant agreements with UN agencies/IOM, NGOs, and Red Cross and Red Crescent Movement are prepared by OCHA Country Offices (normally the Humanitarian Financing Unit). Grant agreements are signed by the Humanitarian Coordinator and counter signed by the authorized representative of the implementing partner. Grant agreements are then sent to OCHA headquarters for final approval and signature by Executive Officer (or a duly delegated officer).
219. Grant agreements (see Annexes 13 and 14, Grant Agreements with NGOs and UN agencies) will be submitted to OCHA headquarters by the fund manager, through the GMS. The following supporting documents (all annexed to these guidelines) will be submitted, in line with Annex 24, OCHA Finance Checklist:
- i. Copy of the grant agreement signed by the Humanitarian Coordinator and the partner.
  - ii. Project proposal (as approved by the Humanitarian Coordinator).
  - iii. Project budget (as approved by the Humanitarian Coordinator).
  - iv. Funds Transfer Request (see Annexes 12 and 26, OCHA and MPTF Funds Transfer Requests).
  - v. Duly signed compliance memos for projects involving cash grants, or distribution of vouchers for food or non-food items for projects by NGOs (see Annexes 15 and 16, Memos for cash grants,

<sup>33</sup> The list should be provided as an annex to the budget.

<sup>34</sup> Based on bank information provided by the partners through the due diligence process, OCHA FCS will prepare F21 and submit to accounting.

and for food and NFI vouchers).

220. Signature of grant agreements has a processing time of up to 3 business days, provided that the documentation submitted to OCHA headquarters is complete, accurate and consistent.
221. The grant agreement is only valid upon signature of both the HC and implementing partner. The start date, agreed by the HFU in consultation with the implementing partner, is indicated in the grant agreement. If the signature of the grant agreement by the implementing partner occurs after the agreed upon start date, the date of the signature of the grant agreement will determine the official start date of the project.
222. Expenditure is eligible from the date of signature by the implementing partner, which marks the entry into effect of the grant agreement.

### 5.3 No-Cost Extensions, Budget Modifications and Project Changes

223. Changes in a project can be required due to various reasons and may have different consequences to the project's scope, duration and budget. Variations of all forms must be brought to the fund manager's attention. The fund manager will assess whether the proposed changes need formal written authorization, whether an amendment to the initial grant agreement is necessary (see Annex 8, Amendment to Grant Agreement with NGOs, and Annex 9, Amendment to Grant Agreement with UN agencies) or whether the breath of the proposed changes is such that the project needs to be terminated.
224. Annexes 32 (Project Revision Request Form) and 34 (Budget Tool for Amendments) of these guidelines provide the format to request a NCE/Budget Revision.

#### 5.3.1 No-Cost Extensions (NCEs)

225. No-Cost Extension (NCE) requests will be considered on a case-by-case basis, depending on the reasons justifying the request and evidence of progress collected through narrative and financial reports (i.e. progress/interim), or through field monitoring visits and financial spot checks.
226. NCEs should be submitted at least four weeks prior to the end of the project. Later submissions will not be considered.
227. The NCE can modify the agreement to extend the duration of the project, with or without any changes to the project's budget or activities. To extend the duration, an amendment to the original agreement must be signed by both parties. The HC, or the OCHA HoO if delegated to do so (see Annex 10, Delegation of Authority for NCE), will respond to the implementing partner in writing, accepting, modifying or rejecting the request (see Annex 32, Project Revision Request Form). If accepted, this amendment becomes an integral part of the agreement and must be cleared by OCHA.

#### 5.3.2 Budget Modification

228. There are two types of acceptable budget revisions:
- Budget revision not exceeding 15 per cent of the approved budget.
    - i. This type of modification does not require formal authorization by the HC, which means that within this limit the implementing partner has the flexibility to make adjustments to the project budget as needed throughout the implementation.
    - ii. Cost redeployments to budget categories not exceeding 15 per cent of the originally approved budget category are acceptable for all categories except the "Staff and other Personnel Costs"

- category. Any variation in “Staff and other Personnel Costs” should be approved in writing by OCHA.
- iii. Redeployment must be done against existing budget lines.
  - iv. Budget variations of this type, without prior consent, are acceptable as long as the activities retain the same scope and nature of the original grant.
- Budget revision exceeding 15 per cent
    - i. Cost redeployments to budget categories exceeding 15 per cent of the amount originally approved require the HC authorization.
    - ii. The implementing partner will make the request to the HC (Annexes 32 Project Revision Request Form and 34 Budget Tool for Amendments), after prior consultation with the fund manager.
    - iii. Should the budget modifications imply programmatic changes (within the scope and nature of the original grant) the implementing partner will also submit a revised logical framework.
    - iv. The HC approval of such modification will be formalized through an amendment to the original grant agreement (inclusive of all necessary supporting documents, project proposal, and project budget).
229. Under no circumstances should budget revisions increase the budget originally approved by the Humanitarian Coordinator.
230. Budget line variations within the same category, not affecting the total value of the category, are acceptable without previous consent.
231. Any additional budget lines within a category, even if they have no impact of the total amount of the category, require prior written consent of OCHA.

### 5.3.3 Project Changes

232. Significant deviations from the original project objectives, including changes in the geographic location of the project, the target population, or the scope of project activities will be assessed on case-by-case basis by the HC through the OCHA HoO.
233. Major changes may require a project revision and subsequent amendment of the grant agreement. Project revisions are subject to the approval of the governing entities. Requests for project revision must be formally submitted to the HC by the recipient organization. The request should clearly explain why the grant agreement needs to be amended and indicate the current operational status of the project. A financial statement detailing expenditures incurred to date should be submitted (Annex 34. Project Budget and Financial Reporting Tool).

### 5.3.4 Project Closure

234. A project will be considered closed when the following conditions are met:
- i. Final narrative report received and cleared by the fund manager. Implementing partners must submit the final narrative report within two calendar months after the end of the project implementation (including NCEs). The fund manager has up to one calendar month from receipt to review and clear the final narrative report.
  - ii. Once the final financial statement has been received, it will be pre-cleared by the fund manager and cleared by OCHA at the headquarters level (FCS). Implementing partners must submit the final financial statement (along with an inventory of assets purchased under the grant), within 2 calendar months after the end of the project implementation (including NCEs). OCHA will have three months upon receipt to review and clear the audited final financial statement.
  - iii. Following the closure of a project and its audit (when applicable), implementing partners will be notified in writing by OCHA about the exact amount to be refunded. Partners have one month

since the date of notification to refund amounts due. Non-compliance with the request will be subject to specific measures (Annex 1, Compliance Measures). Proof of payment needs to be received and acknowledged by OCHA.

235. OCHA reserves the right to audit NGO implementing partners (see 6.6 below). On this basis, OCHA may also request the reimbursement of unspent or qualified expenditures. Upon written notification from OCHA, the implementing partner shall refund the requested amount within one calendar month.

## 5.4 Audits

236. OCHA applies a risk-based approach<sup>35</sup> to audit partners by sampling a certain volume of resources for high, medium and low risk NGOs partners. Data on global allocation of resources are analyzed at OCHA headquarters to determine (i) the size and composition of the sample (i.e. percentage of the total amount allocated that should be audited; focus on specific countries) and (ii) propose country audit plans for each CBPF.

237. The composition of the sample must include high, medium and low-risk partners. This maximizes the objective of the audit as an oversight mechanism (to manage financial risks where they are likelier to materialize); while also signaling partners that they can be randomly audited, to further mitigate residual risks.

238. Partner-risk level and allocation amounts will not be the sole basis to determine the sample. Safeguards will be applied while defining audit plans. Criteria such as the size of a specific partner portfolio, or a specific percentage of allocated versus available resources in a year would be used to sample partners beyond the risk-based approach. Specific thresholds and percentages will be determined between the OCHA Country Office and headquarters.

239. Within a three years period all NGOs partners who have received funding through a CBPF must be audited.

240. The HFU will provide inputs and recommendations to inform the establishment of the country audit plan to ensure adequate consideration of contextual elements. The country audit plans are drafted by OCHA headquarters discussed with the Country Office and approved by the Executive Officer (or delegated officer).

241. Once the audit plan is agreed upon, the HFU will inform the selected NGOs and trigger the audits.

242. Audit plans will be formulated every year by 15 February.

243. The procurement of audit services must be done through the OCHA Country Office and local service provider in accordance with the prevailing procurement rules. To streamline the audit firm selection process, the OCHA HoO should engage with the relevant service provider (normally United Nations Development Programme) to identify, select and establish long-term agreements (LTAs) with audit firms. This will ensure the capacity to implement the audit plan on a timely basis.

244. OCHA Country Offices shall maintain the validity of the audit service LTA to ensure it does not expire before a new LTA has been obtained, or that the existing LTA has been extended.

245. The costs of auditing services will be covered by the CBPF as a direct cost of the fund.

## 5.5 Investigations

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<sup>35</sup> While developing detailed guidelines to introduce partner risk-based audit, OCHA will continue to maintain a project-based approach to audit.

246. OCHA headquarters should immediately be informed by the OCHA HoO whenever there is an indication of possible fraud, corruption or misuse of funds related to CBPF projects. Individual cases should be assessed by the fund manager according to a set of standard criteria/questions to determine whether a formal investigation process is warranted. The decision to trigger an investigation is made by the OCHA Executive Officer after a consultative process involving OCHA headquarters and the OCHA country Office while keeping the HC informed. OCHA will suspend implementing partners that are being investigated.
247. The process for dealing with investigations, once initiated, should be conducted according to the internal OCHA Standard Operating Procedure (SOP) which describes the successive steps that OCHA will take in the event of an investigation into an implementing partner contracted under a CBPF. Information sharing and communication should be handled on a confidential basis.

## 6. Cross-cutting issues

### 6.1 Gender

248. There is universal acceptance that humanitarian assistance must meet the distinct needs of women, girls, boys and men in order to ensure equal opportunities and access to assistance. It is recognized that in order for humanitarian action to effectively promote gender equality, focused action and deliberate attention are needed by all actors of the humanitarian community at the local, national and international level. Integration of gender considerations and actions to prevent and respond to Gender-Based Violence (GBV) into projects will generate positive and sustainable outcomes.
249. Implementing partners to CBPFs should ensure that projects are designed, implemented, monitored and evaluated considering the specific needs and constraints faced by women, girls, boys and men. In order to do so, CBPFs encourage the use of existing tools that are available at the systemic level to promote sound gender analysis and gender integration in projects. In this regard, implementing partners should ensure routine collection, collation and utilization of sex and age disaggregated data and information in the whole project cycle.
250. The IASC Gender Marker is utilized by all CBPFs throughout the programme cycle: prospective partners are required to indicate the Gender Marker code as part of the project proposal, and to report on how gender and GBV was addressed during implementation. Beneficiary numbers should be broken down by sex, age and other diversifying factors whenever possible. If there are challenges and barriers to collecting disaggregated data and information, mechanisms should be put in place to address the gap during implementation. At the reporting stage, implementing partners are required to describe how projects have contributed to promoting gender equality, including the prevention and response to Gender Based Violence.
251. Gender equality perspectives, including the Gender Marker code, are part of the assessment criteria used by Review Committees during project appraisal (see Annex 22, IASC Gender Marker FAQs). CBPF monitoring further assesses the extent to which gender considerations have been made as part of project implementation.
252. CBPF Review Committees should benefit of a Gender Advisor support or available gender expertise, if possible, to ensure that gender analysis forms the core of the needs identification and that the Gender Marker is accurately assessed. Implementing partners are ultimately responsible for ensuring that gender considerations are operationalized in project activities, and that there is adequate capacity to address gender issues during the life of the project and that the implementation of the Gender Marker is accurately reported on.

### 6.2 Accountability to Affected Populations (AAP)

253. CBPFs are committed to ensuring that funded projects adhere to the highest possible quality standards. As part of this effort, implementing partners are encouraged to incorporate the various existing Accountability to Affected Populations (AAP) modalities into the design, implementation, management and monitoring of projects. At the project proposal stage, implementing partners are asked to describe how affected populations and specific beneficiaries have been and will be involved throughout the project cycle. CBPF reporting and monitoring procedures will seek to verify how this has been applied throughout project implementation. This will include, for the projects that will be monitored, making an assessment of the level of participation and access to information by project beneficiaries.
254. Implementing partners are encouraged to seek guidance from existing resources on AAP. In particular, the following documents are important: (i) the five IASC Commitments to Accountability to Affected Populations (CAAP), (ii) the IASC Operational Framework on Accountability to Affected Populations, and (iii) the IASC Tools to assist in implementing the IASC AAP Commitments.
255. All CBPFs are required to establish a formal complaint mechanism to receive feedback from stakeholders who believe they have been treated incorrectly or unfairly during any of the Fund's

processes. OCHA will compile, review, address and – if necessary - raise the issues to the HC, who will then take a decision on necessary action.

## Annexes

### Accountability

- Annex 1. Compliance Measures (para [195](#), [234](#))
- Annex 2. Due diligence application and checklist (para [150](#))
- Annex 3. Due Diligence declaration (para [147](#))
- Annex 4. Field monitoring template (para [175](#))
- Annex 5. Financial Spotchecks (para [175](#))
- Annex 6. Fully-fledged partner capacity assessment tool (para [150](#))
- Annex 7. Performance management tool\_Draft (para [157](#))

### Administrative templates

- Annex 8. Amendment to Grant Agreement with NGOs (para [223](#))
- Annex 9. Amendment to Grant Agreement with UN Agencies (para [223](#))
- Annex 10. Delegation of Authority for NCE (para [237](#))
- Annex 11. FTS reporting template (para [60](#))
- Annex 12. Funds transfer request (para [219](#))
- Annex 13. Grant Agreement with NGOs (para [219](#))
- Annex 14. Grant Agreement with UN Agencies (para [219](#))
- Annex 15. Memo for cash grants (para [219](#))
- Annex 16. Memo for food and NFI vouchers (para [219](#))
- Annex 17. Third party and banking information form (para [217](#))

### Fund Management

- Annex 18. Allocation paper (para [90](#), [91](#))
- Annex 19. CBPF Operational Manual (para [12](#), [19](#), [138](#))
- Annex 20. Scorecards for project prioritization (para [95](#), [113](#))

### Guidance Notes

- Annex 21. CERF CBPF complementarity guidance note (para [91](#))
- Annex 22. IASC Gender Marker FAQs (para [251](#))

### Humanitarian Financing Units (HFUs) guidance

- Annex 23. Annual Reporting template (para [61](#), [184](#))
- Annex 24. OCHA Finance Checklist (para [219](#))
- Annex 25. Risk Management Framework (para [39](#), [135](#), [139](#))

### Legal framework under UNDP MPTF

- Annex 26. MPTF Funds Transfer Request (para [219](#))
- Annex 27. Memorandum of Understanding template ([pg. 3](#))
- Annex 28. Standard Administrative Agreement template ([pg. 3](#))
- Annex 29. Terms of Reference template ([pg. 3](#), para [93](#))

### Project management templates

- Annex 30. Concept Note Template (para [93](#))
- Annex 31. Final Narrative Reporting Template (para [182](#))
- Annex 32. Project Revision Request Form (para [224](#), [227](#), [228](#))
- Annex 33. Progress Narrative Reporting Template (para [182](#))
- Annex 34. Project Budget and Financial Reporting Tool (para [181](#), [202](#), [224](#), [228](#), [233](#))
- Annex 35. Project Proposal Template (para [93](#))