



UNDP Guidelines for Engagement with NGOs under Country Based Pooled Funds

Guidance Note for Country Offices

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I. Introduction

In 2005, the Humanitarian Reform Process and the Secretary General’s report “In Larger Freedom” called for predictable and flexible humanitarian funding to meet the needs of vulnerable communities.¹ This led to the establishment of the Country Based Pooled Funds (CBPF) in Sudan in 2005, in the Democratic Republic of Congo (DRC) in 2006, in the Central African Republic (CAR) in 2008, in Somalia in 2010, in South Sudan in 2011, and in Afghanistan in 2014.

The Multi-Partner Trust Fund Office (MPTF Office) is acting as the Administrative Agent (AA) for these six Country Based Pooled Funds (CBPF), with delegated authority to the Democratic Republic of Congo and Sudan. Whereas the UNDP country offices in the Central African Republic, the Democratic Republic of Congo, South Sudan, and Sudan are assuming the role of Managing Agent for CBPF grants to non-governmental organizations (NGOs).²

CBPFs are designed to support cluster coordination and stronger humanitarian leadership. They allow humanitarian coordinators (HCs) to fund planned humanitarian response based on strategic planning and needs / priority identification in country. Disbursements from the CBPFs are made available to United Nations (UN) agencies and non-governmental organizations (NGOs) that participate in the country’s Consolidated Appeals Process (CAP) or Humanitarian Response Plan (HAP). The six CBPFs have attracted close to USD 3 billion in funding between 2006 and 2014, with considerable difference between the funds and years in terms of allocation schemes.

In 2015, OCHA issued an [Operational Handbook for Country-based Pooled Funds \(CBPFs\)](#) to ensure a coherent approach to the strategic and operational management of all CBPFs. While OCHA has managed humanitarian pooled funds at the country level since 1995, the operational handbook harmonizes OCHA’s approach to CBPFs and Emergency Response Funds (ERFs).

The purpose of these UNDP Guidelines for Engagement with NGOs under Country Based Pooled Funds is to supplement OCHA’s Operational Handbook **for those countries where UNDP acts or considers to act as Managing Agent, detailing current standardized operations, and providing central guidance to UNDP country offices on best practices for engagement with NGOs under CBPFs**. This guidance builds on the content of UNDP’s Programme Policies Operations and Procedures (POPP) as well as specific guidance, especially the guidance on engagement with NGOs. It also aims to harmonize with the OCHA Operational Handbook.

II. Managing Agent Function - Overview

This section provides an overview of the Managing Agent function. It defines roles and responsibilities in the UNDP context, and elaborates on key factors that need to be considered when deciding whether to carry out the Managing Agent (MA) function as well as the related processes. It also clarifies the position of Managing Agent under the new Operational Handbook.

¹ 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.

² OCHA is performing risk-based grant management in Afghanistan and Somalia.

A. Definition and Functions

The Managing Agent function (MA) is part of the institutional arrangements of UN-administered Multi-Partner Trust Funds (MPTFs) that allocate funds to national and international Non-Governmental Organisations (NGOs). In this case, one of the Participating UN Organisations (PUNOs) will be designated as Managing Agent. The MA receives the total allocation for disbursement to NGOs, contracts NGOs and manages all individual allocations. The Managing Agent works closely with the Fund Manager who carries the overall responsibility for the oversight and management of the Humanitarian Financing Unit.

Therefore, the “MA function” is in fact a cluster of functions and tasks related to the management of the funds allocated to NGOs. UNDP performs these functions and tasks using its direct implementation modality (DIM).

According to the [Operational Handbook for Country-based Pooled Funds \(CBPFs\)](#), most of these functions and tasks should sit with the “Humanitarian Financing Unit” (HFU). “Annex I: Functions of the HFU” outlines the list of functions for HFU with annotation on functions that can be performed by MA. Some of the MA-related functions are the exclusive responsibility of the MA, while others can be performed in partnership with the Funds Manager and other parties involved in managing the fund. Key partners under CBPFs are OCHA, who is responsible for the overall management of the fund as well as the cluster leads - in some countries also called sector leads - who are responsible for the development of sector strategies, the identification of potential NGO partners, and the vetting of project proposals. The country-level Operational Manual for Country-Based Pooled Funds will specify the role of each party, including the role and responsibilities of UNDP in each country where UNDP acts as Managing Agent.

The detailed distribution of roles and responsibilities can slightly differ from country to country, but it should be explicitly defined in the terms of reference of the MA as part of the country-level Operational Manual and the necessary resources, costing or cost recovery arrangement to carry out respective functions need to be agreed upon.

The subsequent sections will describe the general principles and key aspects on which UNDP bears full responsibility and accountability and aspects on which responsibility can be share in line with rules and procedures.

B. Structure within UNDP Organizational Context

The managing agent function is highly visible and entails financial and reputational risks. Therefore, UNDP country offices that perform the Managing Agent function should establish a dedicated team with capacity to perform this function. This ‘Managing Agent Unit’ (MAU) is an integral part of the joint CBPF Humanitarian Financing Unit (HFU), in line with the new [Operational Handbook for Country-based Pooled Funds \(CBPFs\)](#). This MAU should be managed by a coordinator with an appropriate level of authority from UNDP in line with the Internal Control Framework. The scope of this capacity should be commensurate to the scope of the MPTF and the proportion of funds allocated to NGOs. Accordingly, analysis of the level of (expected) transactions and workload related to the performance of related functions needs to be carried out before the unit will be designed.

The structure of the MAU should fully reflect the functions to be performed. Typically, it should include four streams:

- MA coordination and communication
- Financial management
- Contract Monitoring and oversight (audit)
- Capacity Building

All members of the teams will have access to and be trained on the Grant Management System (GMS) in order to enable usage of the system for all relevant function.

UNDP is accountable to OCHA and the CBPF advisory group on the performance of the MAU within the scope of the CBPF. The 'Managing Agent Unit' (MAU) therefore requires regular UNDP CO Senior Management support and oversight. A Country Office senior manager with sufficient understanding of all involved aspects should directly oversee the unit.

While the number and terms of reference of positions of the unit will be designed based on the functional and workload analysis, the following positions should be included:

- MAU Coordinator: responsible for MA function coordination, communication with OCHA, the clusters and partners / donors, as well as MA function performance management.
- Finance Officer / Assistant: responsible for financial transactions as well as regular review of NGO budgets and reports.
- Monitoring and Oversight Officer / Assistant: responsible for NGO contracting, regular contract monitoring in the field and the coordination of the NGO audit exercise.
- Capacity Building Officer / Assistant: responsible for the identification of capacity building needs and the design and implementation of trainings.

Depending on the specific country context, the MAU can be located in the UNDP country office or co-located with the OCHA HFU responsible for the management of the CBPF.³ The MAU manages all of its roles in line with UNDP rules and regulations and aligned with the OCHA Operational Handbook including effective risk management.

C. Internal Control Framework

The MA Unit (MAU) should have delegated **1st authority** within the internal control framework of the country office. It should be able to perform the functions outlined in the below.

- Creation of requisition,
- Voucher creation;
- GLJE creation;

As necessary, depend on the volume of transaction, the Country Office management could also delegate the **2nd authority** to the MAU under \$30,000.

³ Please note that the MAU can be responsible for the MA function of several funds, such as the case in Sudan.

Correspondingly, the MAU needs to establish its own internal control framework to segregate 1st, authority and 2nd authority.

As part of its oversight and support function, the country office senior management should retain (perform) the following functions:

1. 3rd authority of the ICF (disbursement)
2. Finalization of ATLAS budgets;
3. Approval of vouchers > 30,000 US\$;
4. Approval of GLJEs;
5. Signing of NGO contracts (Responsible Party Agreements).

The regular CO business units should perform the following functions:

1. Overall coordination of the CO audit and / or HACT processes;
2. Contribution Management (DMS, Receipt);
3. Pay Cycle;
4. MAU performance oversight.

D. Costing and Cost Recovery

In collaboration with OCHA and CBPF donors, UNDP has in the past experimented with various costing and cost recovery models. In light of considerations related to adequate cost recovery, management effectiveness and risk management, the recommended model is a 7% flat-rate charge for the portion of funds managed through UNDP. All costs to UNDP related to the MA function should be covered through this charge, including MAU positions.

In cases where the overall amount of funds managed by UNDP is not sufficient to cover all costs, the MAU should be directly funded by the CBPF. Accordingly, negotiations with the Fund Manager and contributing donors should be carried out based on a detailed functional and cost analysis. This can only be done after a thorough time and capacity analysis has been presented to and agreed with OCHA.

Country offices should not use any other cost recovery model, including transaction-based cost recovery, which is not financially viable.

E. Legal Structure and MA Engagement Mechanism

UNDP performs the MA function within the specific structure of the Country Based Pooled Funds of the relevant country. It is guided by the overall guidelines of [UN Multi-Partner Trust Funds](#) and the [OCHA Operational Handbook for Country Based Pooled Funds](#)

In addition, the MA function is performed within the framework of the Memorandum of Understanding signed between UNDP as Participating UN Organization and the UN MPTF Office. The MoU should specify that UNDP is performing the MA function for the specific CBPF and the terms of reference of the fund should specify division of labor between different parties involved.

The MA function is to be performed in compliance with UNDP rules and regulations.

As such, if the UNDP country office has been requested and decided to perform the MA function, it will sign the MoU in full recognition and knowledge of the CBPF Operational Manual, the OCHA Operational Handbook for Country Based Pooled Funds and any additionally existing arrangements related to the CBPF at the country level.

When a country office has been requested to perform the MA function, it should carefully consider a number of factors and implications. This will require some analytical work. A specific decision-making process should guide this work.

Factors for Decision-making

There are a number of considerations as to whether or not UNDP should take the role of Managing Agent for CBPF. In this regard, UNDP's corporate position is very clear. **UNDP should only take the role of Managing Agent for CBPF when the following conditions are met:**

- **UNDP has the comparative advantage to perform the role:** UNDP needs to be able to demonstrate that it has the comparative advantage to perform the MA function more efficiently compared to other agencies. With its global presence, UNDP might have the required capacity on the ground by the time the CBPF is established.
- **Ensuring a smooth transition from humanitarian to development:** UNDP should be able to capitalize on its involvement in humanitarian works as MA, and ensure a smoother transition from humanitarian phase to a normal development path. In line with its mandate in early-recovery, UNDP should only accept the role of MA, if it will help the country and the communities to better transition into a longer term development track.

The ensuing decision-making process in UNDP on whether to perform the MA function for a CBPF should be structured into four steps outlined in detail below. It should also be guided by the factors and criteria discussed in the previous sections.

First, a business case should be developed, which discusses capacity requirements, risks, financial viability, as well as implications for programmatic positioning. It should include the proposed structure of the MAU, and its anchoring within the country office.

Secondly, the country office should discuss collaboration protocols and processes with OCHA and relevant stakeholders. This includes key processes, the MAU and cost recovery arrangements. The results of the discussion should be documented.

Thirdly, the country office should engage with NGOs (through the local NGO coordination mechanism) to clarify roles and rules of engagement. Concerns and expectations should be clarified and discussed, with such discussions documented.

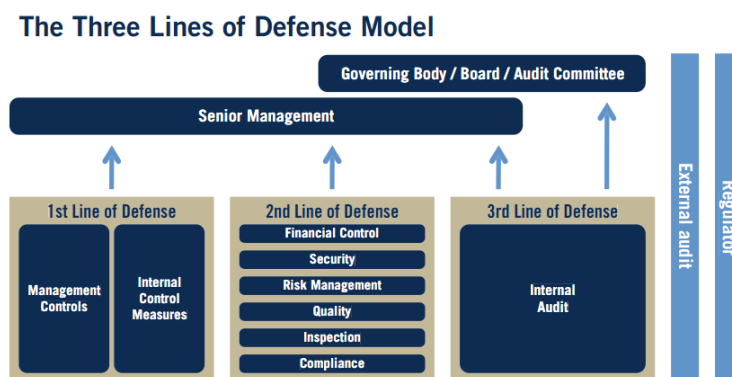
Finally, if the country office concludes positively, the results of the above three steps should be shared with the relevant UNDP Regional Bureau. The latter will be responsible to liaise with the Bureau of Management and the MPTF office as required. Support and oversight requirements and practical arrangements should be determined collaboratively, and the Country Office and Regional Bureau should facilitate the clearance of all legal and operational documents by BMS (LSO, OFRM).

Please see Annex II for an elaborated list of consideration for taking on the MA function.

III. Risk Management and Mitigation

A. Overview

UNDP has instituted a “Three Lines of Defense” Model to rigorously manage risk. This risk management model applies to the MA function, and is a critical safeguard in managing risks when engaging with such a large number of NGO partners and projects.



The day-to-day management of NGO contracts and NGO partners by the MAU constitutes the first line of defense, applying defined and mainstreamed contract-based management controls and additional partner-based control measures, in keeping with the Operational Manual for the CBPF.

The MAU management is complemented by the UNDP country office’s internal oversight of MAU transactions and activities, including quality assurance from a legal, financial, monitoring, risk management and communications perspective. This oversight is performed by relevant UNDP country office units (finance unit, oversight / compliance unit, M&E unit, etc.) under the authority of a UNDP country office senior manager and with oversight from the UNDP Regional Bureau.

The corporate oversight function performed by UNDP’s Office for Audit and Investigations constitutes the third line of defense. This entails regular risk-based country office management audits ensuring and reviewing country office management systems, oversight and independent quality assurance of risk-based annual NGO audits of the MAU-managed portfolio under HACT, as well as a permanent stand-by capacity for investigations.

Together, these three lines of defense provide a robust risk management and mitigation structure with high levels of assurance of the MA function.

B. Key Components of Risk Management

At the CBPF level, risk management and mitigation is fully integrated into all grants management processes. Beginning with the country level risk and operating context, each CBPF establishes a Risk Management Framework. The Framework is dynamic and defines how the identified risks are managed and how risk is shared among the various stakeholders. The core components of risk management are:

- Partner Risk Level Determination

- Assurance Plan and Activities - HACT
- Partner Risk Monitoring and Performance Monitoring
- Fraud Monitoring and Mitigation

UNDP as MA is responsible for and contributes to risk management as specified in the Accountability Framework in the Operational Manual.

1. Micro Assessments & Partner Risk Level Determination

a) Risk Level Determination

In those country offices which are HACT compliant, the standard approach for the determination of the initial partner risk level is the micro assessment. The purpose of the micro assessment is to assess the partner's financial management capacity in the areas of accounting, procurement, reporting, and internal controls to determine the overall risk rating.

The micro assessment results in an overall risk assessment, which is a key input to determining the risk rating for the partner. It guides the appropriate types and frequency of assurance activities to be carried out, as well as the categorization of the partner according to the CBPF Operational Modalities detailed in the Operational Manual.

The micro assessment for new partners should be performed before the start of the CBPF allocation cycle. Where this is not possible, it should be done as soon as possible thereafter. If a previous micro assessment was performed, the presumption should be that the findings remain valid unless underlying changes are identified that invalidate the findings. If there was no previous assessment, the MA should proceed on the assumption that the result of the assessment will be an overall risk rating of "High Risk" until the micro assessment has been completed.

The POPP defines the criteria for which a partner micro-assessment is required. Implementing Partners that have not been identified as requiring a micro assessment are designated as 'non-assessed'. For such 'non-assessed', the MA may use the following types of information to determine the partner risk level: (1) previous agency reviews, audits and historical experience; (2) agency-specific capacity assessments; and (3) capacity assessments performed by other agencies. In all cases, the capacity assessment method used must meet the requirements of the Fund Manager as outlined in the Operational Manual.

b) Partner Risk Ratings

- **Low risk** – Indicates a well-developed financial management system and functioning control framework with a low likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Medium risk** – Indicates a developed financial management system and control framework with a moderate likelihood of negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Significant risk** – Indicates an underdeveloped financial management system or control framework with a significant likelihood of negative impact on the IP's ability to execute the programme in accordance with the work plan.

- **High risk** – Indicates an underdeveloped financial management system and control framework with a significant likelihood of negative impact on the IP's ability to execute the programme in accordance with the work plan.

While the micro assessment assigns a risk rating to the NGO partner, it does not determine the eligibility of a potential partner to receive funding. Such eligibility is determined at the Fund Level based on specified capacity criteria outlined in the Fund's Operational Manual's Accountability Framework.

2. Assurance Plan and Activities

UNDP as MA has regularly performed assurance activities of NGO partners and projects to ensure that funds are used in accordance with the CBPF budget and workplan, and coordinates closely with the Funds Manager and clusters to confirm that program activities implemented are consistent with the financial reports.

Under HACT, the MA conducts these same assurance activities; however, the frequency of such activities is determined by the partner risk level, and are conducted according to an established Assurance Plan. The risk-based Assurance Activities Plan harmonizes with the risk-based CBPF Operational Modalities.

Every UNDP Country Office must prepare an assurance plan at the beginning of the programme cycle for approval by the UNDP Head of Office, to be updated annually. For CBPF, project level and other contextual risk are considered in the development of the assurance plan.

As some assurance activities may be conducted by the clusters and the Fund Manager, all parties are made aware of and contribute to the assurance plan. In the event that the MA identifies or is made aware of any changes in potential risk of partner, the assurance methods should be modified to mitigate risk to the fund.

The assurance activities consist of:

- **Programme monitoring** – while OCHA remains accountable for the fund's programmatic monitoring in terms of planning, systems and modalities, the MAU should facilitate the process.
- **Field-based financial monitoring** – (spot checks) of financial records of partners.
- **Audits** – audit of financial records and financial management systems of internal controls.

3. Fraud Monitoring and Mitigation

The [UNDP Policy on Fraud and Other Corrupt Practices](#) (the UNDP Anti-fraud Policy) is an important part of UNDP's corporate governance, establishing the framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption. It is in line with the UNDP Accountability System, adopted by the Executive Board to support ethical values and standards, increase transparency and proper stewardship of resources, as well as to clarify and harmonize all relevant activities. **This policy applies to all activities and operations of UNDP, including any project funded by UNDP, any project implemented by UNDP, and any implementing partner.** UNDP's Anti-fraud Policy requires any incident of fraud to be reported.

a) Fraud Mitigation - Standard Requirements for UNDP as MA

UNDP must ensure that all NGOs have received a copy of UNDP's Anti-fraud Policy. Additionally, a notification of how to report fraud to UNDP must be provided to partners. Such notification should be broadly distributed within each NGO and should include how to report at the OAI/HQ level and at the country office level. Partners should be encouraged to use the method with which they are most comfortable. In the event fraud is reported at the country office level, the fraud must then be reported by the Country Office to OAI. The MA has the requirement to report all fraud to OAI, the Fund Manager and the CBPF donors.

The MA should actively engage with NGO partners in fraud awareness and mitigation measures. Such measures should include fraud orientation meeting with new NGO partners, and regular trainings and workshops on fraud mitigation.

b) Fraud Mitigation - Standard Requirements for NGOs

As part of its fraud mitigation and management measures, UNDP has in place certain requirements of NGOs engaged with UNDP through a pooled fund mechanism.

All NGO partners must have a **written fraud policy** signed by the Country Director/Executive Director. The NGO policy must include a statement of the NGO's position of zero tolerance for fraud, the process for reporting fraud within the NGO, the process for investigating fraud, and corresponding delineation of organizational responsibility.

In addition to the mandatory requirement of reporting all fraud to UNDP, the partner should be requested to **periodically complete a Fraud Report** as provided by UNDP. It is recommended that the UNDP Fraud Report Template contain the following;

- Whether there have been any incidents of fraud within a specified time period;
- The financial value of the fraud;
- How the fraud was discovered;
- Action taken to investigate;
- Subsequent changes in internal controls to prevent fraud;
- Outcome of fraud investigation.

c) Sanctions as a Result of Fraud

Sanctioning for partner eligibility follows guidance in the Operational Handbook for CBPFs and the criteria indicated in the Operations Manual. While the standard approach to mitigating fraud should be in the spirit of partnership and with a strong emphasis on effective internal controls, an NGO may be sanctioned if fraud is discovered. The main criteria for sanctioning includes consideration of:

- Reasons fraud occurred;
- At what level the fraud occurred;
- Whether fraud was immediately reported to UNDP;
- History of fraud within the NGO.

Any instance of fraud occurring and not reported to UNDP will result in immediate sanctioning of NGO, and ineligibility to receive further funding.

d) Fraud Mitigation Tools and Templates

1. [UNDP Anti-Fraud and Corruption policy](#)
2. NGO fraud toolkit
3. NGO fraud survey
4. NGO fraud reporting template

IV. MA Project Cycle Management

UNDP's role as MA is **fundamentally different from a traditional UNDP project management** cycle. With CBPF, UNDP supports different aspects of the project cycle, rather than having leadership and full responsibility for partner selection, project identification and selection, and project implementation. (See Annex).

While the execution of the MA function is fully compliant with UNDP rules and procedures, for CBPFs, UNDP performs project cycle management as reflected in the Funds Operational Manual and Accountability Framework. Correspondingly, all aspects of the project cycle management are harmonized with and reflected in the Country level Operational Manual.

In practice, this means that OCHA assumes the overall responsibility for the successful management of the funds, including the determination of the funds strategy and priorities, the selection of projects and the verification of partner project results. As Managing Agent, UNDP assumes fiduciary responsibility for the projects and NGO partners contracted through UNDP. However, the risk appetite and assumption thereof related to projects and funds, is a shared responsibility between the Humanitarian Coordinator, OCHA, and members of the Advisory Board – as defined in the country-level Operational Manual approved by the CBPF Advisory Board.

A. Partner Selection and Eligibility

The selection, or nomination, of NGOs follows the process determined at the country level and as outlined in the Operational Manual.

Continued eligibility of NGO partners is likewise determined at the country office level, with the specific criteria detailed in the Operational Manual. The MA may be responsible for maintaining such eligibility list, as requested by the Fund Manager.

B. Capacity Assessment

Based on the selection process in place at the country level, UNDP MA performs a capacity assessment to determine whether a partner has the minimum capacity required for project implementation. Correspondingly, the capacity assessment determines the risk level of the Partner.

The objectives of the capacity assessment are to:

- Measure and limit the risk to the CBPF;

- Ensure the NGO possesses sufficient capacity to responsibly implement the project, and to manage and report on the funds received;
- Identify capacity needs of national and international NGOs, which build the basis for an organisational capacity development plan, and related activities managed by UNDP in close collaboration with the funds manager and the sectors.

Minimum capacity must be demonstrated by the partner to meet the criteria to receive direct funding. The risk profile of the CBPF and the Risk Management Framework, determines whether the NGO's risk level meets the requirement for funding. The NGO Risk rating also informs which Operational Modality will apply for disbursements, as well as the applicable assurance activities.

The tool for capacity assessment should be aligned with the HACT micro-assessment methodology and be fully harmonized with the guidance outlined in the Operational Manual for CBPFs.

Furthermore, continuous communication between the NGOs and the MA should be guaranteed, to ensure they are familiar with the process and understand the steps and results. At the conclusion of the capacity assessment, written feedback should be provided to the partner in the form of a standardized report. The report should include the NGO's overall score/risk rating, compared to the total possible score and the minimum acceptable score. Also included should be recommended actions, as required, to develop any required additional capacities.

C. NGO Engagement

With the award of the allocation to the NGO, UNDP MA will engage with the NGO partner as "Responsible Party" (RP) in line with UNDP's [policy for the Engagement of NGOs and CSOs as Responsible Parties](#), using the Responsible Party Agreement as the contractual mechanism.

Under this modality of engagement, the NGO is responsible for the implementation of project activities or specific components of a project, including the provision of specific inputs and/or delivery of agreed outputs. NGOs as Responsible Parties receive disbursements from the MA with the achievement of milestones, or the provision of goods and services under the specific components of a project, and may receive advanced funds as per the applicable Financial Regulations and Rules governing prepayments.

An Allocation Letter, signed by the HC, confirms the commitment of funds to the NGO through the MA, and the Fund Transfer Request (FTR) initiates the contractual engagement process. In those country offices where UNDP serves as delegated Administrative Agent, the signed Acceptance Letter is sufficient to initiate the engagement process.

The substantive difference at the fund management level, between the previous modality of engaging NGOs through a Project Partnership Agreement and the new Responsible Party modality, is that the MA is afforded greater flexibility with the advance of funds against milestones, as determined by NGO risk. This enables the MA to fully harmonize modalities with the OCHA Operational Manual.

Those Offices currently engaging NGOs as Implementing Partner through a Project Partnership Agreement will transition to the "Responsible Party" Engagement modality prior to the next allocation cycle. For further details on the RP modality of engagement, please refer to the relevant POPP chapter [here](#).

D. Project Monitoring

Project monitoring is performed to assess and ascertain the following elements and done through regular CBPF HFU processes as relevant:

1. Assess programmatic progress towards set results (responsibility of OCHA);
2. Adherence to UNDP financial and procurement rules and regulations;
3. Provide relevant and accurate information on financial effectiveness of CBPF;
4. Improve accountability and responsibility of fund utilization;
5. Contribute information to findings and evaluation reports for stakeholders;
6. Share lessons learnt with concerned people/organizations;
7. Support and contribute to quality reporting and the provision of accurate information;
8. Support and contribute to enhanced efficiency and effectiveness of operations and administration;
9. Build capacities in of the implementing partners.

The HC has the overall responsibility for ensuring that monitoring and reporting activities are undertaken in a satisfactory manner. The roles and responsibilities for monitoring between OCHA, the clusters (sectors) and UNDP as MA are defined in the Operational Manual. Accordingly, UNDP MAU staff capacities should be designed in accordance with the distribution of roles.

The level and frequency of project monitoring is based on risk level of a partner and the related assurance plan developed in line with HACT modalities and the Operational Manual. Changes in partner performance and risk will be reflected in changes in frequency of monitoring activities. The different elements of monitoring at the project and partner level are outlined below.

In CBPF context, the OCHA Grant Management System (GMS) is the centralized system for information related to project monitoring and performance. The MA ensures that staff have access to the system and are familiar with use of the GMS for this purpose.

1. Programmatic monitoring and reporting

In line with the country-level Operational Manual, the HFU coordinates and participates in field monitoring visits and should work closely with clusters in devising procedures related to monitoring. UNDP as MA should support programmatic monitoring in line with the provisions of the Operational Manual. As necessary and only if delegated by the head of HFU, the MA can coordinate the monitoring exercises on behalf of the HFU. OCHA and UNDP have a shared responsibility within the cluster over the achievement of programmatic results of which monitoring is a part, and reflected in the Accountability Framework.

Even if not directly participating in project monitoring missions, the MA is responsible to be kept informed of project monitoring results, and receive project monitoring reports so as to be able to effectively manage NGO contracts.

The project monitoring activities will be determined by the assessed risk level of the NGO and will be reflected in the Operational Modalities Table.

Beyond the report reviewing and monitoring, the field visit will be the main tool to ensure programme monitoring.

In order to guarantee the quality of the monitoring reports, in accordance with the Operational Manual, a standard programmatic monitoring report format is established by the Fund Manager and followed by the MA and all relevant parties.

Follow-up of mission results is crucial and ***mechanisms to ensure close follow-up*** on mission recommendations should be established within the framework of the monitoring and reporting (M&R) working group. While this is the overall responsibility of OCHA as the Funds Manager, UNDP as MA must confirm that recommendations are being implemented by NGOs contracted by UNDP.

In order to capitalize on the M&E findings, the relevant party as outlined in the Country Level Operational Manual, needs to ensure:

- Establishment of regular feedback mechanisms with key stakeholders;
- Feedback and observations to partners;
- Feedback to decision-makers (cluster/Sector Leads and OCHA);
- Capacity building of Implementing Partners on logframe, planning, monitoring and evaluation, and targeted capacity building on identified weaknesses.

2. Financial monitoring and reporting

The MA is responsible and accountable for the financial monitoring of projects. The primary financial monitoring tools are periodic financial reports/FACE form and field based-financial monitoring (spot checks).

The frequency of partner financial reporting is based on the risk level of the partner as indicated in the Operational Modalities. Triangulation of information received through financial reports and narrative reports, or organizational events that indicate a change or potential change in partner risk, will contribute a change in risk level and frequency of financial monitoring.

In accordance with the signed MoU, all CBPF recipient organizations are required to submit financial and programmatic reporting to the HC (via the Administrative Agent (AA) or the HFU), including UNDP. With the full implementation of the Responsible Party Modality, frequency of financial reporting by NGOs will be determined in-country based on risk level as determined by the micro assessment and in accordance with the Operational Manual.

In those country offices which are HACT compliant, the FACE form will be the primary form of financial reporting. Additional information required to be submitted together with the face form should be reflected in the Operational Manual and agreed upon with the HFU.

3. Annual project audits

The annual audit exercise is an integral part of sound financial and administrative management, and part of the UNDP accountability system. The overarching objective of the audit exercise is to provide UNDP with assurance as to the proper use of financial resources transferred to the NGO Partner. With the full

adoption of HACT, the assurance activities will be risk-based, in line with the Operational Handbook. By extension, the audit serves as an element of the project monitoring tools used by UNDP.

UNDP financial statements are audited annually by the United Nations Board of Auditors (UNBOA) and the findings are reported to the UNDP Executive Board and the General Assembly annually. In expressing its opinion on UNDP financial statements, the Board of Auditors refers to the outcome of the audits of projects nationally-implemented by non-governmental organizations or qualified opinions expressed by the auditors have a direct impact on the opinion expressed by the Board of Auditors on UNDP financial statements.

The NGO project audit results are shared with the Fund Manager, and are incorporated into the PMI.

E. NGO Performance Monitoring

While the initial capacity/risk assessment determines that the NGO meets the minimum capacity required to technically implement the project and to financially and administratively manage the funds received, UNDP as the MA, in coordination with OCHA, continually monitors NGO performance – programmatically and financially -to confirm eligibility and risk levels.

The purpose of performance monitoring is to:

- Confirm consistent technical capacity and delivery performance;
- Measure and mitigate any new risk to the pooled fund;
- Identify any changes in capacity of the NGO;
- Determine in which areas the partner requires additional capacity support;

To that effect, UNDP as the MA in collaboration with OCHA will set up a performance monitoring dashboard that documents this activity and allows to effectively adjust the risk level of each partner over time. This will be done using the GMS based Performance Index.

NGO Performance is partner – not project – based, and follows the same functional focus as the capacity assessment: a) technical performance, b) financial and administrative performance and c) changes in organizational management capacity. As with the capacity assessment, the NGO performance monitoring should be aligned with the HACT micro-assessment methodology and be fully harmonized with the guidance outlined in the Operational Manual for CBPFs.

1. Partner Performance Criteria

The MAU in the , in close consultation with the respective clusters/sectors, plays a key role in reporting and reviewing the performance of the NGO partner. The MAU in the HFU should establish specific, measurable, and objective criteria for determining and monitoring NGO partner performance. To the extent possible, there should be performance criteria that are consistent across all partners.

Inputs to be considered in monitoring technical performance are:

- Quality and timeliness of submitted project document

- Implementation (monitoring)
- Reporting compliance (narrative)
- Revisions
- Financial performance (expenditure rate and reporting)
- Audit findings

2. Financial Performance Criteria

UNDP monitors partners' financial performance and provides the rating for the NGO performance in this functional area. Inputs to be considered in monitoring financial performance are: timeliness and quality of financial reporting, management of advance payments, financial delivery, field financial monitoring results, and annual audit results.

The NGO performance model should be standardized and all criteria measurable and quantifiable. Establishment of an effective performance model will require the individual functional components weighted, as based on the country risk context and the structure and performance priorities of the Country Based Pooled Fund.

The various inputs – project monitoring results, financial monitoring results, and changes in leadership and management – should be regularly provided and evaluated for subsequent input into the overall performance monitoring model.

A rating scale of three performance bands is recommended versus a more complex multi-scale measurement. This is done in accordance to the framework of the OCHA Performance Index. NGO performance should be monitored and a rating assigned annually, as part of a comprehensive partner performance review, which includes the Fund Manager and the clusters/sectors. Following the Annual Performance Review, the NGO risk profile and Partner eligibility list should be revised as necessary.

F. Project closure

As per UNDP rules and regulations, the closure of a project occurs in two stages: 1) operational closure; 2) financial closure. Operational closure is the completion of project activities. Financial closure applies to all accounting and financial activities of the project, no later than one year after the operational closure.

Closing a project operationally and financially requires the following activities:

- Draft Final Report;
- Combine delivery Report (CDR) certify signed by UNDP and the IP;
- Decision on the transfer of project's equipment as per UNDP rules and procedures;
- Monitoring & Evaluation final report;
- Cash position;
- Audit report.

UNDP is responsible for closing the project. The implementing partner closes the bank account after ruling out any expected payments to the project, and in less than a year after the end of activities. All advances must be justified. Unjustified advances are considered an available balance and must be returned to UNDP. In cases where there the final financial report has a positive (unspent) balance, this must be

returned to UNDP. UNDP should collect and classify all four required documents cited above, and process with the closing in ATLAS within a year of the end of activities.

V. Capacity Building and Capacity Support

The Managing Agent function, through its nature, accesses, reaches, and bears more potential to build and support self-sustainable civil societies in crisis countries than any other of UNDP's interventions. While supporting NGO partners as Managing Agent, UNDP has the opportunity to bridge NGO partners from humanitarian actors to early recovery and development partners.

Within the context of strengthening Civil Society Partners as a UNDP priority, providing capacity support to National Partners should underlie all activities and exchanges as Managing Agent. Opportunities for providing such support begins with those partners not fully meeting the initial eligibility criteria, to new partners requiring additional capacity support, to existing partners facing challenges of expanding to assume greater project delivery responsibility and increased funding.

A. Capacity Support Plan

Each UNDP MA Office is encouraged to develop a national partner capacity support plan that meets the strategic objectives of UNDP, while having as a priority the value of capacity support to the Fund. It should also be kept in mind that Client Service Surveys conducted by some MA Country Offices indicate that NGO partners consider most exchanges with UNDP as beneficial to improving or expanding their capacity, including financial report review, field-based spot checks and monitoring visits. Correspondingly, NGO partners prioritize the need for additional capacity support from UNDP.

The following guidance is provided to develop an effective and coherent Capacity Support Plan:

The Annual Work Plan includes the overall goals and objectives of the Fund and the UNDP office in supporting the capacity of NGOs. From the identified priorities, the Capacity Support Work Plan may be based on a) total number of national partners to provide support, b) theme or specific functional area to provide capacity support to all partners, c) establishing a capacity benchmark for all partners to reach during the year, d) target number of activities or trainings, or another parameter that reflects the priorities. In all cases, a standard of capacity should be established and maintained for the fund, and similarly capacity support should be provided with a specified performance target or measurement.

B. NGO Capacity Support Categories

In terms of providing effective capacity support, it is helpful to establish categories of NGO Partners, based on capacity, and to develop capacity support accordingly. Potential categories for focus are: a) partners not meeting the initial capacity requirements, b) new CBPF partners, c) partners experiencing specific capacity challenges, such as project narrative reporting, or accurate and timely financial reporting.

C. Sustainable Capacity Support

To increase the effectiveness of capacity support, UNDP should consider peer supported and mentored capacity support activities, where national partners can 'graduate' to providing support to other national partners. Relatedly, written feedback should be provided to partners indicating the change in their capacity, and areas for continued focus and improvement.

VI. Managing Agent Performance Monitoring

It is essential that UNDP performs the MA function consistently in all countries. Therefore, it should be guided by a common set of performance standards and indicators, and continuously monitored. In addition, MA performance should be regularly communicated to CBPF partners and stakeholders.

A. Key MA Performance Indicators

The UNDP country office is responsible to establish a performance monitoring system, using the following 7 key performance indicators. While the country office is solely responsible for processes related to indicators 1 – 5, joint arrangements with OCHA and the clusters can be made for indicators 6 - 8.

1. Transaction time: All transactions are performed within defined timelines. Timelines should be defined and agreed upon with OCHA.
2. Financial monitoring: All NGO project financial reports are reviewed as scheduled.
3. NIM advance clearance: NGO NIM advances are cleared on schedule.
4. Audit: All NGO projects are subject to the HACT risk-based assurance model in line with the Operations Manual.
5. Client (NGO) satisfaction: NGO satisfaction is monitored annually through a client survey, and issues addressed through an action plan.
6. Risk management: Programmatic, operational and reputational risks are identified and updated annually. A risk mitigation plan is developed and implemented every year.
7. Project monitoring: All NGO projects are monitored at least once every year, either by UNDP or CBPF partners.
8. Fraud in the CBPF context: A CBPF-specific fraud mitigation system is put in place, and quarterly reporting on fraud cases is a requirement for NGOs.

B. Standardized UNDP Client Services Survey to evaluate Client Satisfaction

The annual client survey is an important performance measurement and communication tool for UNDP country offices. A standardized survey [\[link\]](#) can be used or adjusted as required, and should be administered anonymously through an online platform. Results should be summarized and communicated to NGO partners and CBPF stakeholders. Any issues emerging from the survey should be addressed through an action plan or the MAU annual work plan.

C. Analytics and Partner/Donor Communications

Analytical data related to the CBPF MA function and UNDP performance, especially as it relates to the above performance indicators, should be regularly communicates to all CBPF partners. This can be done through a bi-annual MA newsletter, a dedicated bi-annual partner meeting or the existing CBPF channels and fora.

VII. Annexes

A. Functions of the HFU

Legend

- Y indicates services that could be provided by MA
 N Indicates services that should not be provided by MA
 P Indicates services that is possible to be provided by MA but require agreement with OCHA and the head of HFU.

<i>Functions/Tasks</i>	<i>MA Function</i>	<i>Remarks</i>
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 CBPFs.	N	
ii. Facilitate the development of the CBPF scope and objectives and/or allocation paper.	N	
iii. Provide oversight to the entire funding cycle from the launch of an allocation to closure of projects.	Y	
iv. Engage with CBPF donors and coordinate with other humanitarian donors in the country.	N	
v. Draft the resource mobilization strategy and support its implementation in coordination with headquarters resource mobilization efforts.	N	
vi. Support HC and HoO efforts to link the fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRPs.	N	
vii. Support and promote partner compliance with CBPF procedures.	Y	
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).	Y	

ix. Promote the complementary use of the CBPF with funding from other sources, in particular the CERF.	N	
x. Serve as secretariat for the AB.	N	
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.	N	
ii. Provide oversight to the entire funding cycle from the opening of an allocation to closure of projects.	Y	
iii. Engage in coordination with CBPF donors and other humanitarian donors in the country.	N	
iv. Draft the resource mobilization strategy and support its implementation making sure to coordinate resource mobilization efforts with headquarters.	N	
v. Support HC and HoO efforts to link the fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRPs.	N	
vi. Support and promote partner compliance with CBPF procedures.	Y	
vii. Produce reports, analysis and other documents as necessary to support decision-making, communication and resource mobilization activities	Y	
viii. Serve as the secretariat to the Advisory Board.	N	
ix. Facilitate public information sharing with all stakeholders.	P	By request only
PROJECT CYCLE MANAGEMENT		
i. Facilitate and train stakeholders on the use of the Grant Management System (GMS).	Y	
ii. Provide oversight to the entire funding cycle from the opening of an allocation to closure of projects.	Y	

iii. Provide support to all CBPF recipients throughout the allocation process and promote a feedback system for continuous learning.	Y	
iv. Coordinate and facilitate all activities associated with the strategic review (project prioritization).	N	
v. Coordinate and facilitate all activities associated with the technical review.	Y	Provide support as necessary under the coordination of the secretariat.
vi. Ensure follow up of fund disbursement and refunding.	Y	
vii. Ensure narrative and financial reporting compliance.	Y	
viii. Manage project revision requests (e.g. follow-up and support on budget revision, reprogramming, no-cost extensions, etc.).	Y	
ix. Ensure Financial Tracking Service (FTS) reporting as required (see Annex 11, FTS reporting template).	Y	
IMPLEMENTATION OF THE CBPF ACCOUNTABILITY FRAMEWORK:		
i. Support and advise the HC and OCHA HoO in the development and implementation of the Accountability Framework.	Y	Provide support and advice as necessary through the secretariat
ii. Coordinate and facilitate capacity and performance assessments, risk management, monitoring, and reporting.	Y	
iii. Ensure compliance with the minimum requirements described in the operational modalities of the Handbook.	Y	
iv. Ensure compliance with audit requirements and follow up recommendations stemming from audits and monitoring findings.	Y	
v. Prepare the CBPF annual report (see Annex 23, Annual Reporting template).	Y	Provide data and support as necessary under the guidance of secretariat

B. Ensuring a smooth transition from humanitarian to development

UNDP needs to be able to capitalize on its involvement in humanitarian works as MA, and ensure a smoother transition from humanitarian phase to a normal development path. In line with its mandate in early-recovery, UNDP should only take the role of MA, if it will help the country and the communities to better transition into a longer term development track.

The following factors should be considered and included in decision-making:

- **Size of Fund and estimated number of NGO partners:** The size of the fund and the estimated number of NGO partners, the risk level of these NGO partners and the number of projects to be managed determines the anticipated workload for the country office. It will also determine the required capacities of the MAU, and the costs to be recovered. For analytical purposes, the country office should break down the expected overall financial envelop for NGOs by partner and project, and analyze monthly, quarterly and annual transactions by project. This should inform required capacities within the MAU and the country office and costing.
- **Country Context and Risk environment:** The country context relates to all aspects related to the implementation and monitoring of NGO projects. It includes national regulations related to the engagement of NGOs, specific rules related to the transfer of funds to NGOs, the security situation, access to NGO projects for monitoring purposes, possible operational obstacles to project implementation related to permits, procurement regulations (including import and customs regulations), the overall humanitarian situation, the engagement of donors, the capacity of national and international NGOs, etc. Based on previous experience in managing NGO projects, the country office should analyse possible risks, define mitigating measures and assess the residual risk [See example of risk management matrix [here](#)].
- **Programmatic positioning of UNDP:** The MA function will provide UNDP with the opportunity to engage with a vast number of national and international NGOs beyond the regular programme context. At the same time, it will require country office senior management to pro-actively engage in humanitarian and early recovery fora and discussions. Performing the MA function will require the CO to dedicate adequate capacities and time to these. It provides the opportunity to establish linkages and bridges between humanitarian and early recovery interventions, but also presents risks for UNDP if inadequately managed.
- **Partnership consideration with UN Agencies:** Regular exchanges and collaboration with UN agencies participating in the CBPF will be required to successfully manage the MA function, especially with the cluster lead agencies. Therefore, existing relationships and partnerships should be reviewed and assessed in order to determine whether and to what extent these need to be expanded.
- **Country Office experience with common funds:** Previous experience in participating in / managing common funds will be invaluable to anticipate strategic, programmatic and operational opportunities and risks and need to be included in the decision-making process. Country offices should also consult with sister agencies and NGO partners that have previous experience.
- **Country Office engagement with NGOs:** Experiences in collaboration with / contracting NGOs should be considered since these will provide important information on possible obstacles, risks and required capacities.
- **Country Office available staff capacities:** CO staff capacities, finally, will inform capacity needs within the MAU. It will guide country offices in designing the relationship between the MAU and the country office, key business processes and the functions to be performed within the MAU and those to be performed by other CO business units.